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Lilly Delivers Promising Update to Wall Street on Strategic Priorities, Pipeline Progress and Earnings Guidance

*** Company Sets Clear Focus on Accelerating Sales Growth, Increasing Productivity, Bringing New Drugs to Market and Replenishing the Late-Stage Pipeline. * Research and Development Efforts and Expanded Biotech Capabilities Continue to Fuel Strong Pipeline, with 30 Molecules Under Development, Including 10 Newly Announced. * Lilly Reconfirms 2006 Sales and Earnings Guidance; Anticipates 2007 Sales Growth in the High Single or Low Double Digits and Earnings of \$3.25 to \$3.35 Per Share. EPS Growth from 2008 to 2010 Expected to be in High Single to Low Double Digits.**

NEW YORK, Dec 07, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- At its annual meeting with the investment community, Eli Lilly and Company (NYSE: LLY) today reviewed the company's strategic priorities, highlighted the progress of its expanding product portfolio and robust pipeline and provided investors with sales and earnings guidance for 2006 and 2007.

"Our priorities are clear," stated Sidney Taurel, Lilly chairman and chief executive officer. "Lilly will succeed in this challenging environment by accelerating our top-line sales growth, by continuing to develop innovative medicines for some of the world's most urgent medical needs and by delivering a greater value proposition to our customers through more tailored therapies and a company wide commitment to productivity. We are bringing an unprecedented number of new clinical candidates forward over the next several years, a sizable portion of which emanate from our expanded biotechnology capabilities. Our goal is to launch at least one new product per year on average through the remainder of this decade, and to position ourselves to launch two per year early in the next decade."

"Maximizing our portfolio of growth products and continuing to invest in our rich pipeline of drugs in development will enable us to bring value to both patients and shareholders," Taurel concluded. "We believe we are well- positioned to do exactly that."

Lilly reconfirmed its 2006 sales guidance of growing at approximately the low end of 7 to 9 percent and reiterated its 2006 earnings guidance of \$3.10 to \$3.20 per share on an adjusted basis, or \$2.74 to \$2.84 on a reported basis, excluding any other future, material unusual items. Lilly anticipates 2007 sales growth in the high single or low double digits and earnings of \$3.25 to \$3.35 per share on a reported basis, excluding any future, material unusual items and assuming the successful 2006 completion of the ICOS acquisition. From 2008 to 2010, EPS growth is estimated in the high single to low double digits.

Regarding the company's pending \$2.1 billion acquisition of ICOS Corporation, Taurel stated, "We continue to believe that our offer to acquire ICOS would deliver substantial and immediate value to ICOS shareholders. We expect to successfully complete the acquisition of ICOS by the end of 2006, and our financial guidance provided today reflects this expectation. As previously noted, the closing of the deal is contingent upon approval by ICOS shareholders." In addition to the estimated incremental charges in 2006 associated with the acquisition, Lilly expects the deal to provide a significant addition to sales in 2007, but to be modestly dilutive to 2007 earnings. Beginning in 2008, the deal would modestly accelerate the sales growth rate and be accretive to earnings.

Sales Growth of Marketed Products Expected to Accelerate in 2007

For 2007, Lilly expects sales growth to accelerate to the high single to low double digits, aided significantly by the inclusion of all Cialis(R) revenue in Lilly's top line, assuming the successful completion of the ICOS acquisition. Sales growth in 2007 will also be driven by an expanding portfolio of newer products including Cymbalta(R), Byetta(R), Alimta(R) and Forteo(R), while worldwide sales of the company's top product, Zyprexa(R), are expected to remain stable. Initiatives aimed at increasing sales force effectiveness, including the recently completed realignment of Lilly's U.S. sales force, will support the expected sales growth acceleration.

John Lechleiter, Ph.D., Lilly president and chief operating officer, noted that U.S. formulary availability for key Lilly products is expected to remain strong. "We have adapted well to Medicare Part D and the broader changes in the U.S. payer environment. More than 80 percent of our Part D sales of Zyprexa and our insulin products are in second-tier unrestricted status. Evista's(R) position is even greater, at 95 percent unrestricted second-tier access. Cymbalta is well-positioned after recent formulary wins, and Alimta and Gemzar(R) are reimbursed by all Medicare carriers. In the commercial managed-care segment of our business, we enjoy better than 80 percent unrestricted second-tier access for key products."

Regarding Zyprexa, Lechleiter stated, "2006 marked a turning point for Zyprexa in the U.S. Measured by the four-week moving average of total prescription share, by retail volume or by hospital share, Zyprexa sales in the U.S. have stabilized. Outside the U.S., the positive findings of the CATIE and SOHO studies, the impact of our wellness programs in managing side effects, and our leading share of voice among psychiatrists have allowed Zyprexa to either grow or hold its own in most of our major markets."

Lechleiter then highlighted the growth potential for several of Lilly's more recently launched products.

Cymbalta

Cymbalta is expected to be a key driver of growth for Lilly in 2007. In 2006, Cymbalta outperformed all branded antidepressants in the U.S. in terms of share of market growth as measured by both new prescriptions and total prescriptions. Globally, the Cymbalta launch has been one of the most successful in both Lilly's history and that of the entire antidepressant market. Worldwide sales grew 91 percent in the third quarter compared with the same period last year, and Cymbalta is on track to generate over \$1 billion in annual sales in only its second full year on the market.

Byetta

Byetta, a novel treatment for Type 2 diabetes that Lilly launched last year with its partner Amylin Pharmaceuticals, has seen its monthly new prescription volume increase 30 percent over the last six months. The drug now ranks fourth in new prescriptions weekly among branded diabetes products for patients with Type 2 diabetes. "We are absolutely delighted with the early response to Byetta," commented Lechleiter. "Already, more than 65,000 doctors have written at least one prescription for Byetta."

Alimta

Completing only its second full year on the market, Alimta stands as the most successful cytotoxic launch in history based on sales. It has become the standard of care worldwide for mesothelioma, with about 75 percent share of market in the major countries. In the U.S., Alimta also has taken over the top spot in the second-line treatment of non-small-cell lung cancer, and it has quickly surged to more than 30 percent of the market for that indication in France and Italy.

Forteo

Lilly's osteoporosis and women's health products franchise is expected to remain strong. Sales of Forteo increased by 45 percent in Q3 compared with the same period last year and demand is expected to continue to grow.

Cialis

Commenting on Cialis, Lechleiter stated, "The erectile dysfunction market in the U.S. is growing again. Cialis is outperforming the market considerably, with worldwide sales increasing by 26 percent during Q3 of this year, as compared with the same quarter in 2005. We've made significant share of market inroads this year in the major markets, and Cialis is now the leading product in many of them. Outside the U.S., Cialis is still growing at more than 30 percent and is on track to become the number-one erectile dysfunction drug in sales during 2007. Next year's expected launch in Japan will certainly help us to realize that goal." Lechleiter continued, "Cialis almost certainly will reach a billion dollars in worldwide sales in 2007, and with a patent life through 2017, Cialis will continue to provide value well into the next decade."

In addition, Lilly is working to develop several important new indications and line extensions for many of its marketed products. These include a depot formulation for Zyprexa, new indications for Cymbalta including general anxiety disorder, fibromyalgia and chronic pain, a treatment-resistant depression indication for Symbyax(R), a first-line non-small-cell lung cancer indication for Alimta and a long-acting release formulation for Byetta. Studies continue on Cialis for potential indications for pulmonary arterial hypertension and benign prostatic hyperplasia, and the U.S. submission for the once-daily dosing of Cialis is expected before the end of this year. Lilly also announced today that data supporting the breast cancer risk reduction indication for Evista has been submitted to the FDA.

Biotech Investments and R&D Productivity Help Replenish Robust Pipeline

Steven M. Paul, M.D., executive vice president, science and technology for Lilly, reviewed the progress of the company's research and development efforts. After launching an impressive nine new products since 2001, Lilly has continued to develop a robust pipeline of potential products for important unmet medical needs. Lilly is currently developing 30 new molecular or biological entities, of which 19 are in Phase II or later, and is pursuing 34 new indications or line extensions. Of the molecules discussed today, 10 were reviewed for the first time, including four new biotechnology compounds. The company expects to initiate an unprecedented number of clinical trials over the next two years, including at least 15 new drug candidates in 2007,

followed by a similar number in 2008.

Paul credited a significant portion of Lilly's pipeline progress to the company's ongoing investment in its biotech capabilities. "Lilly has invested more than \$1 billion in its biotech R&D capabilities just in this decade, and the results are impressive. Lilly currently markets eight biotech products. Bioproducts comprise fully one-third of our pipeline, with candidates targeting cancer, Alzheimer's disease, diabetes, inflammation and chronic kidney disease. Our goal is to launch at least one biotech molecule per year starting in 2011."

Paul summarized Lilly's R&D productivity efforts by stating, "We are pursuing three broad strategic approaches to improving R&D productivity, with the goals of increasing the number of compounds in our pipeline while driving down the costs per new molecular entity by about one-third, from \$1.2 billion to \$800 million. These productivity strategies include fully leveraging our biotech capabilities, accessing more flexible and cost effective R&D capacity globally and aggressively pursuing Six Sigma throughout Lilly Research Labs."

Select Late-Stage Pipeline Developments

* Prasugrel - A Phase III head-to-head study of prasugrel versus clopidogrel is nearing enrollment completion with over 13,000 patients and more than 750 sites up and running. The study is on track for completion in mid-2007, with an NDA submission to the U.S. FDA anticipated by the end of 2007. Prasugrel, a late-stage candidate targeted at acute coronary syndromes, is being co-developed with Daiichi Sankyo.

* Enzastaurin - Phase III studies continue for enzastaurin's lead indication for the treatment of glioblastoma (brain cancer), with FDA submission expected in 2008. In addition, a Phase III trial is under way for the use of enzastaurin in the treatment of non-Hodgkin's lymphoma, with regulatory submission expected in 2010.

* AIR(R) Inhaled Insulin - Enrollment has been completed in a critical, two-year safety trial, and other studies are ongoing for both the inhaled insulin formulation and device. Lilly and its partner, Alkermes, Inc., currently expect regulatory submission to the FDA in 2009.

* Arzoxifene - A 300-patient Phase III study for the prevention of osteoporosis is expected to be completed in 2007. An additional Phase III study, fully enrolled with more than 9,300 patients, examines arzoxifene's potential in osteoporosis treatment and breast cancer risk reduction. Lilly expects regulatory submission to the FDA in 2009.

Select Early-to Mid-Stage Pipeline Developments

* Neuroscience - In the area of Alzheimer's disease, Lilly has advanced both of its molecules, a gamma-secretase inhibitor and an A-beta antibody, from Phase I to Phase II. Other select Phase II neuroscience molecules include an mGlu2/3 receptor agonist for schizophrenia and NER1 IV for depression and ADHD. Phase II trials are continuing for pruvanserine, an insomnia compound that Lilly acquired from Merck KGaA in 2004. The early-stage neuroscience pipeline also includes molecules targeted for alcoholism, migraine and chronic pain.

* Oncology - Phase II trials are set to begin for survivin ASO, an antisense molecule targeted at solid tumors that Lilly is developing with its partner, ISIS Pharmaceuticals; a second antisense molecule targeted at solid tumors, eIF-4E ASO, is in Phase I studies. Another oncology molecule, ASAP, has moved forward to Phase II and is currently being studied for non-small-cell lung cancer and melanoma, with additional studies for ovarian cancer and soft-tissue sarcoma expected in 2007.

* Cardiovascular - Phase II studies continue for two cardiovascular molecules, Factor Xa inhibitor for thrombotic disorders and PPAR alpha agonist for atherosclerosis.

* Diabetes Care - Lilly's early-stage diabetes care pipeline reflects the company's longstanding commitment to this therapeutic area. A Phase I clinical trial has recently been completed for a GLP-1 analog, a potential once-weekly injection. A separate Phase I study is under way for TGF-beta antibody for the treatment of diabetic nephropathy.

* Anti-inflammatory - A new anti-inflammatory approach, IL-1 beta antibody, is currently being studied for rheumatoid arthritis and other inflammatory disorders. Lilly expects to advance IL-1 beta to Phase II trials in early 2007.

2006 Financial Guidance

The company reconfirmed that it expects 2006 sales growth to be at approximately the low end of its guidance range of 7 to 9 percent. Excluding any fourth quarter unusual items such as the estimated incremental costs related to the ICOS acquisition, the estimated charges for the closure of the German and Belgian R&D sites, the potential closure of the Basingstoke manufacturing facility or any other potential unusual items, the company expects its full-year 2006 adjusted earnings per share will be within its guidance range of \$3.10 to \$3.20.

This 2006 adjusted earnings guidance range represents 8 to 11 percent growth compared with the 2005 adjusted earnings per share of \$2.87 (refer to "Reconciliation of 2006 Earnings Per Share Expectations" below for further description). The 2005 adjusted earnings per share eliminates the 2005 charges for product liability, asset impairments and the cumulative effect of an accounting change due to adoption of new accounting rule (FIN 47) for conditional asset retirement obligations.

Reported 2006 earnings per share is expected to be within the range of \$2.74 to \$2.84, excluding any other future, material unusual items, which compares with reported 2005 earnings per share of \$1.81.

Reconciliation of 2006 Earnings Per Share Expectations:

	2006 Expectations	2005 Actual	% Growth
E.P.S. (reported)	\$2.74 to \$2.84	\$1.81	
Eliminate charges:			
Estimated incremental costs related to ICOS acquisition (assumes transaction closes in 2006)	.26	-	
Estimated closure costs of German and Belgian R&D facilities	.10	-	
Product liability charge	-	.90	
Asset impairment charge	-	.14	
Cumulative effect of accounting change due to adoption of new accounting rule (FIN 47) for conditional asset retirement obligations	-	.02	
E.P.S. (adjusted)	\$3.10 to \$3.20	\$2.87	8% to 11%

2007 Financial Guidance

For 2007, the company expects sales to grow in the high single or low double digits, impacted favorably by the inclusion of all Cialis revenue in Lilly's top line. The company expects 2007 earnings per share of \$3.25 to \$3.35, which includes an estimated 10 cent per share dilutive impact from the ICOS acquisition, but excludes any other future, material unusual items. The company's base business EPS, without the impact of the ICOS acquisition, is expected to grow 6 to 9 percent in 2007 compared with the midpoint of the 2006 adjusted earnings per share range. Refer to "Reconciliation of 2007 Earnings Per Share Expectations" below for further description.

Reconciliation of 2007 Earnings Per Share Expectations:

	2007 Expectations	2006 Expectations
E.P.S. (reported)	\$3.25 to \$3.35	\$2.74 to \$2.84
Eliminate charges:		
Estimated incremental costs related to ICOS acquisition (assumes transaction closes in 2006)	-	.26
Estimated closure costs of German and Belgian R&D facilities	-	.10
E.P.S. (adjusted)	\$3.25 to \$3.35	\$3.10 to \$3.20

Derica Rice, chief financial officer, reviewed the 2007 guidance. "For 2007, the company expects sales to grow in the high single or low double digits, aided significantly by the inclusion of all Cialis revenue in Lilly's sales line, as well as volume growth of our newer products. Gross margins as a percent of sales are expected to improve slightly in 2007 compared with 2006. In addition, the company expects operating expenses to grow in the low double digits, driven primarily by increased marketing and selling expenses in support of Cymbalta, Zyprexa, Cialis and the diabetes care franchise, as well as ongoing investment in research and development that will continue to place Lilly among the industry leaders in terms of research and development investment as a percent of sales. Other income is expected to contribute less than \$100 million, a reduction from 2006 due to

the removal of the Lilly-ICOS JV after-tax income. The company also anticipates the effective tax rate to be in the range of 22 percent and expects to see continued strong cash flow trends in 2007 and increased return on assets. Finally, from 2008 to 2010, EPS growth is estimated to be in the high single to low double digits."

Webcast of Investment Community Meeting

A live webcast of the Lilly Investment Community meeting, along with presentation slides, is available through a link on Lilly's web site at www.lilly.com. The meeting will start today at 8:30 a.m. Eastern Time and last until approximately 12:30 p.m. The webcast will be available for replay through January 5, 2007.

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. More 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, but actual results may differ materially due to various factors. There are significant risks and uncertainties in pharmaceutical research and development. There can be no guarantees with respect to pipeline products that the products will receive the necessary clinical and manufacturing regulatory approvals or that they will prove to be commercially successful. The company's results may also be affected by such factors as competitive developments affecting current products; rate of sales growth of recently launched products; the timing of anticipated regulatory approvals and launches of new products; other regulatory developments and government investigations; patent disputes and other litigation involving current and future products, including the Zyprexa patent appeal; the impact of governmental actions regarding pricing, importation, and reimbursement for pharmaceuticals; changes in tax law; asset impairments and restructuring charges; the impact of exchange rates, and the assumed closure of the potential ICOS transaction. For additional information about the factors that affect the company's business, please see the company's latest Form 10-K, filed March 2006, and Form 10-Q filed November 2006. The company undertakes no duty to update forward-looking statements.

AIR(R) (Alkermes, Inc.)
Alimta(R) (pemetrexed disodium, Lilly)
Byetta(R) (exenatide injection, Amylin Pharmaceuticals)
Cialis(R) (tadalafil, ICOS), Lilly ICOS LLC
Cymbalta(R) (duloxetine hydrochloride, Lilly)
Evista(R) (raloxifene hydrochloride, Lilly)
Forteo(R) (teriparatide of recombinant DNA origin, Lilly)
Gemzar(R) (gemcitabine hydrochloride, Lilly)
Symbyax(R) (olanzapine/fluoxetine hydrochloride, Lilly)
Zyprexa(R) (olanzapine, Lilly)

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