

PRESS RELEASE

February 3, 2004

ICOS Corporation Reports Results for 2003

ICOS Corporation (Nasdaq:ICOS) today summarized 2003 highlights, released its financial results for the year and fourth quarter ended December 31, 2003, and provided guidance regarding financial performance expectations for 2004.

Cialis® (tadalafil) 2003 highlights

During 2003, Cialis was launched in 55 countries around the world, including nine of the ten largest erectile dysfunction (ED) markets. Commercial launches began in Europe, New Zealand and Australia in February, and culminated in the United States and Canada in November.

Cialis is being marketed for the treatment of ED by Lilly ICOS LLC (Lilly ICOS), a 50/50 joint venture between ICOS and Eli Lilly and Company (Lilly), in North America and Europe. Elsewhere, Lilly has rights to market Cialis, and pays a royalty, to Lilly ICOS, equal to 20% of net product sales in those territories.

The first stage of the U.S. launch of Cialis involved the rapid deployment of sales representatives, assuring product availability in pharmacies across the country and medical symposia broadcast to thousands of health care professionals. The second stage of the U.S. launch began recently with the debut of brand-awareness and full-message advertising to consumers. The first Cialis full-message television advertising aired during the NFL® Super Bowl on February 1, 2004.

With less than twelve months on the market, Cialis surpassed \$200 million in worldwide sales in 2003. In Lilly ICOS territories, sales totaled \$129.8 million for the year, including \$27.9 million in the U.S., \$95.1 million in Europe and \$6.8 million in Canada and Mexico combined. In countries where Lilly markets Cialis, 2003 sales were \$73.5 million.

By the end of 2003, in major markets in Europe, Cialis had successfully captured a significant share of unit (tablet) sales among the three PDE5 inhibitors -- Cialis, Viagra® (sildenafil) and Levitra® (vardenafil). For December 2003, based on pharmacy purchases from wholesalers¹, Cialis had a 33% share of unit sales in France, 30% in Germany, 27% in Italy and 18% in both Spain and the United Kingdom. Also, through December 2003, PDE5 inhibitor markets across the major European countries grew at healthy rates¹ – more than 25% to nearly 50%.

¹ IMS Health. IMS MIDAS, Copyright 2004. Growth rates are based on three-month moving total tablet inflow to pharmacies.

Other 2003 Highlights

Throughout 2003, we continued our investments in early stage research and preclinical candidates, in order to ready one or two candidates for advancement into Phase 1 clinical development in 2004. Our most advanced preclinical candidates include a potent oral LFA-1 (leukocyte function-associated antigen one) antagonist for psoriasis, a phosphodiesterase inhibitor for an inflammatory disease, a cell cycle checkpoint modulator for cancer, and an oral modulator of B lymphocyte function for an autoimmune disease.

By 2003 year-end, we completed patient follow-up in a Phase 2 clinical study evaluating RTX™ (resiniferatoxin) for the treatment of interstitial cystitis. In late January 2004, it was determined that RTX was not effective in relieving patients' symptoms. We will not pursue additional studies of interstitial cystitis.

Also, in December 2003, a Phase 2 clinical study was initiated with IC485 in patients with chronic obstructive pulmonary disease. We expect to complete this study in 2005.

2003 Full-Year Financial Results

For the year ended December 31, 2003, we reported a net loss of \$125.5 million (\$2.01 per share), compared to a net loss of \$161.6 million (\$2.64 per share) for the year ended December 31, 2002.

Total revenue was \$75.1 million in 2003, compared to \$92.9 million in 2002.

Collaboration revenue from affiliates (cost reimbursement revenue) totaled \$25.9 million in 2003, compared to \$77.7 million in 2002. The decrease reflects the December 2002 termination of Pafase® (rPAF-AH) development activities and our decision, in early 2003, to conclude the endothelin receptor antagonist collaboration with Encysive Pharmaceuticals Inc. (formerly Texas Biotechnology Corporation). The decrease was partially offset by higher cost reimbursement revenue from Lilly ICOS, primarily due to reimbursement of the cost of the ICOS sales force to promote Cialis in the United States.

Revenue from licenses of technology was \$37.0 million in 2003, compared to \$6.6 million in the same period of the prior year. 2003 technology license fee revenue includes \$21.3 million of previously deferred upfront fees and forgiven loans, received from Biogen IDEC, Inc. (formerly Biogen, Inc.), which we recognized as revenue in conjunction with our reacquisition of sole development rights to the LFA-1 antagonist program in June 2003. Revenue from licenses of technology for 2003 also included \$15.0 million earned upon the first commercial sale of Cialis in the United States.

Contract manufacturing revenue increased \$3.7 million, to \$12.2 million in 2003, primarily due to greater utilization of our manufacturing capacity for third-party contracts and additional development services provided under the associated agreements.

Total operating expenses were \$130.5 million in 2003, compared to \$162.6 million in 2002.

Research and development expenses decreased \$43.6 million, to \$85.8 million in 2003. The decrease was primarily due to discontinuation of activities associated with

the Pafase and endothelin receptor antagonist programs, partially offset by increased costs related to development activities associated with Cialis and RTX.

Marketing and selling expenses increased \$10.5 million, to \$19.8 million in 2003. The increase reflects incremental costs associated with recruiting, hiring, training and deploying our U.S. sales force to promote Cialis, primarily to urologists.

Contract manufacturing expenses increased \$2.1 million, to \$9.7 million in 2003. This increase reflects costs associated with greater utilization of our manufacturing capacity for third-party contracts and additional development services provided under the associated agreements.

General and administrative expenses decreased \$1.1 million, to \$15.3 million in 2003. The decrease primarily reflects timing of patent filings and patent prosecution expenses.

Our equity in losses of affiliates was \$87.2 million in 2003, compared to \$104.2 million in the prior year.

Our 50% share of Lilly ICOS' losses increased \$21.7 million compared to 2002, to \$87.3 million in 2003. The increase was primarily due to higher Lilly ICOS sales and marketing costs associated with the 2003 launches of Cialis in North America and Europe.

During 2002, we recognized \$29.9 million in losses related to our equity interest in Suncos Corporation, our 50%-owned affiliate that was developing Pafase. Upon discontinuation of the Pafase program, in December 2002, Suncos accrued estimated close-out costs, primarily associated with the program's clinical and manufacturing activities.

During 2002, we recognized \$8.6 million in losses related to our 50% interest in ICOS-Texas Biotechnology L.P. (ICOS-TBC). Encysive agreed to be responsible for all costs and expenses incurred by ICOS-TBC subsequent to December 31, 2002. Our other income for 2003 included a \$10.0 million gain upon the sale, to Encysive, of our partnership interests in ICOS-TBC.

We incurred \$3.6 million of interest expense on \$278.7 million of 2% convertible subordinated debt, which we placed in June and July of 2003.

At December 31, 2003, we had cash, cash equivalents, investment securities and associated interest receivable of \$469.5 million.

2003 Fourth Quarter Financial Results

For the three months ended December 31, 2003, we reported a net loss of \$34.2 million (\$0.54 per share), compared to a net loss of \$47.5 million (\$0.76 per share) for the three months ended December 31, 2002.

Total revenue was \$29.2 million in the fourth quarter of 2003, compared to \$26.2 million in the fourth quarter of 2002.

Cost reimbursement revenue decreased \$9.9 million, to \$12.6 million in the fourth quarter of 2003, primarily due to discontinuation of activities associated with the

Pafase and endothelin receptor antagonist programs, partially offset by incremental sales force cost reimbursement revenue from Lilly ICOS.

Revenue from licenses of technology was \$15.0 million in the fourth quarter of 2003, compared to \$3.1 million in the fourth quarter of 2002. 2003 fourth quarter technology license fee revenue was a \$15.0 million payment earned upon the first commercial sale of Cialis in the United States.

Total operating expenses were \$34.7 million in the fourth quarter of 2003, compared to \$44.0 million in the fourth quarter of 2002.

Research and development expenses decreased \$18.1 million from the fourth quarter of 2002, to \$18.9 million in the fourth quarter of 2003. The decrease was primarily due to discontinuation of activities associated with the Pafase and endothelin receptor antagonist programs, partially offset by increased costs related to development activities associated with Cialis and RTX.

Marketing and selling expenses increased \$7.8 million from the fourth quarter of 2002, to \$9.4 million in the fourth quarter of 2003. The increase was primarily due to the costs of our sales force, to promote Cialis in the United States, which was hired and deployed during the 2003 third quarter.

In the 2003 fourth quarter, we recognized \$28.6 million in equity in losses of affiliates, compared to \$32.6 million in the fourth quarter of 2002. The decrease is primarily due to discontinuation of activities associated with the Pafase and endothelin receptor antagonist programs, partially offset by a higher Lilly ICOS net loss associated with the 2003 launches of Cialis in North America and Europe.

2004 Financial Guidance

For 2004, we presently expect that ICOS Corporation's net loss will be in the range of \$192 million (\$3.00 per share) to \$215 million (\$3.35 per share). The increase in expected loss, compared to 2003, is due to two primary reasons:

- An expected increase in our share of the losses of Lilly ICOS; and,
- The impact of certain items in 2003 which, in the aggregate, reduced our 2003 net loss by approximately \$40 million. Those items were: \$21 million of one time revenue associated with the conclusion of the LFA-1 collaboration; \$15 million of license fee revenue earned upon the first commercial sale of Cialis in the U.S.; and, a \$10 million gain upon the sale of our partnership interests in ICOS-TBC; partially offset by approximately \$6 million in start-up expenses to recruit, hire, train and deploy our sales force.

Lilly ICOS' 2004 net loss is expected to be in the \$235 million to \$275 million range, as the U.S. Cialis launch proceeds and associated direct-to-consumer and other marketing and sales programs become fully operational. The level of Cialis sales achieved in the U.S. is the primary variable that will affect Lilly ICOS' results for 2004.

ICOS Corporation, a biotechnology company, is dedicated to bringing innovative therapeutics to patients. Headquartered in Bothell, Washington, ICOS is marketing its first product, Cialis (tadalafil), for the treatment of erectile dysfunction. ICOS is working to develop treatments for serious unmet medical conditions such as chronic obstructive pulmonary disease, cancer and inflammatory diseases.

Except for historical information contained herein, this press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that may cause our results and the timing and outcome of events to differ materially from those expressed in or implied by the forward-looking statements, including risks associated with product commercialization, research and clinical development, regulatory approvals, manufacturing, collaboration arrangements with affiliates and third parties, liquidity, competition, intellectual property claims, litigation and other risks detailed in our latest Quarterly Report on Form 10-Q and our other public filings with the Securities and Exchange Commission.

The forward-looking statements contained in this press release represent our judgment as of the date of this release. We undertake no obligation to publicly update any forward-looking statements. The biotechnology and pharmaceutical businesses are risky and there can be no assurance that any particular product candidate will progress and become a commercial product.

Conference Call

As previously announced, ICOS will host a conference call to review the 2003 financial results and related matters today, beginning at 4:30 p.m. EST. On this call, ICOS will also provide financial guidance and discuss plans for 2004. The conference call can be accessed as a webcast at www.icos.com, in the Investor/Events section, or by telephone, using the Passcode 715988, live at (612) 326-1003, or as a replay at (320) 365-3844. The webcast will be available until February 10, 2004 at 4:30 pm EST. The telephone replay will be available until February 4 at 6:30 pm EST.

—Selected financial data follows—

ICOS Corporation and Subsidiaries
SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2003	2002	2003	2002
Condensed Consolidated Statements of Operations:				
Revenue:				
Collaboration revenue from affiliates	\$ 12,614	\$ 22,555	\$ 25,943	\$ 77,728
Licenses of technology	15,000	3,126	36,976	6,617
Contract manufacturing	1,599	475	12,185	8,532
Total revenue	<u>29,213</u>	<u>26,156</u>	<u>75,104</u>	<u>92,877</u>
Operating expenses:				
Research and development	18,888	36,945	85,758	129,350
Marketing and selling	9,404	1,654	19,770	9,268
Cost of contract manufacturing	2,057	630	9,703	7,599
General and administrative	4,393	4,765	15,272	16,409
Total operating expenses	<u>34,742</u>	<u>43,994</u>	<u>130,503</u>	<u>162,626</u>
Operating loss	(5,529)	(17,838)	(55,399)	(69,749)
Other income (expense):				
Equity in losses of affiliates	(28,647)	(32,581)	(87,180)	(104,160)
Gain on sale of partnership interests	-	-	10,000	-
Interest expense	(1,712)	-	(3,578)	-
Interest and other income	1,730	2,958	10,038	12,292
Loss before income taxes	(34,158)	(47,461)	(126,119)	(161,617)
Income tax recovery	-	-	612	-
Net loss	<u>\$ (34,158)</u>	<u>\$ (47,461)</u>	<u>\$ (125,507)</u>	<u>\$ (161,617)</u>
Net loss per common share - basic and diluted	<u>\$ (0.54)</u>	<u>\$ (0.76)</u>	<u>\$ (2.01)</u>	<u>\$ (2.64)</u>
Weighted average common shares outstanding - basic and diluted	<u>62,943</u>	<u>62,041</u>	<u>62,561</u>	<u>61,304</u>

Condensed Consolidated Balance Sheets:

	December 31, 2003	December 31, 2002
Cash, cash equivalents, investment securities and interest receivable	\$ 469,525	\$ 354,025
Receivables from affiliates	17,681	7,959
Note receivable	6,000	-
Property and equipment, net	18,970	20,209
Deferred financing costs and other	12,678	3,467
Total assets	<u>\$ 524,854</u>	<u>\$ 385,660</u>
Due to affiliates	\$ 25,842	\$ 25,012
Other current liabilities	20,433	25,985
Deferred revenue	1,000	17,031
Convertible subordinated debt	278,650	-
Stockholders' equity	198,929	317,632
Total liabilities and stockholders' equity	<u>\$ 524,854</u>	<u>\$ 385,660</u>

ICOS Corporation and Subsidiaries
SUPPLEMENTARY FINANCIAL DATA
(in thousands)
(unaudited)

The following table summarizes our revenue from collaborations and licenses of technology, and equity in losses of affiliates.

	2003					2002				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Collaboration revenue from affiliates:										
Lilly ICOS LLC	\$ 2,053	\$ 2,210	\$ 5,243	\$ 12,587	\$ 22,093	\$ 1,361	\$ 1,579	\$ 1,239	\$ 2,436	\$ 6,615
Suncos Corporation	2,058	269	96	27	2,450	13,889	12,918	13,336	16,335	56,478
ICOS-Texas Biotechnology L.P.	1,237	163	-	-	1,400	4,106	3,412	3,333	3,784	14,635
	<u>\$ 5,348</u>	<u>\$ 2,642</u>	<u>\$ 5,339</u>	<u>\$ 12,614</u>	<u>\$ 25,943</u>	<u>\$ 19,356</u>	<u>\$ 17,909</u>	<u>\$ 17,908</u>	<u>\$ 22,555</u>	<u>\$ 77,728</u>
Licenses of technology:										
Lilly ICOS LLC	\$ 31	\$ -	\$ -	\$ 15,000	\$ 15,031	\$ 623	\$ 83	\$ 243	\$ 608	\$ 1,557
ICOS Clinical Partners, L.P.	-	-	-	-	-	427	315	323	2,095	3,160
Biogen IDEC, Inc.	602	21,343	-	-	21,945	330	236	911	423	1,900
	<u>\$ 633</u>	<u>\$ 21,343</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 36,976</u>	<u>\$ 1,380</u>	<u>\$ 634</u>	<u>\$ 1,477</u>	<u>\$ 3,126</u>	<u>\$ 6,617</u>
Equity in losses of affiliates:										
Lilly ICOS LLC	\$ 21,547	\$ 20,045	\$ 16,941	\$ 28,787	\$ 87,320	\$ 14,230	\$ 17,003	\$ 13,255	\$ 21,181	\$ 65,669
Suncos Corporation	-	-	-	(140)	(140)	7,984	6,317	6,485	9,147	29,933
ICOS-Texas Biotechnology L.P.	-	-	-	-	-	2,510	1,957	1,838	2,253	8,558
	<u>\$ 21,547</u>	<u>\$ 20,045</u>	<u>\$ 16,941</u>	<u>\$ 28,647</u>	<u>\$ 87,180</u>	<u>\$ 24,724</u>	<u>\$ 25,277</u>	<u>\$ 21,578</u>	<u>\$ 32,581</u>	<u>\$ 104,160</u>

ICOS Corporation and Subsidiaries
SUMMARIZED OPERATING RESULTS OF LILLY ICOS LLC
(in thousands)
(unaudited)

	2003					2002				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Revenue:										
Product sales, net	\$ 16,615	\$ 21,853	\$ 28,449	\$ 62,911	\$ 129,828	\$ -	\$ -	\$ -	\$ -	\$ -
Royalties	975	3,115	4,352	6,263	14,705	-	-	-	-	-
Total revenue	<u>17,590</u>	<u>24,968</u>	<u>32,801</u>	<u>69,174</u>	<u>144,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:										
Cost of sales (a)	1,604	2,170	2,803	5,966	12,543	-	-	-	-	-
Selling, general and administrative:										
Eli Lilly and Company	41,995	47,666	46,437	93,032	229,130	16,663	19,913	14,693	21,167	72,436
ICOS Corporation	401	878	2,708	9,993	13,980	665	662	521	1,413	3,261
Research and development:										
Eli Lilly and Company	15,033	13,012	12,200	15,264	55,509	10,436	12,514	10,578	18,759	52,287
ICOS Corporation	1,652	1,332	2,535	2,594	8,113	696	917	718	1,023	3,354
Total expenses	<u>60,685</u>	<u>65,058</u>	<u>66,683</u>	<u>126,849</u>	<u>319,275</u>	<u>28,460</u>	<u>34,006</u>	<u>26,510</u>	<u>42,362</u>	<u>131,338</u>
Net loss	<u>\$ (43,095)</u>	<u>\$ (40,090)</u>	<u>\$ (33,882)</u>	<u>\$ (57,675)</u>	<u>\$ (174,742)</u>	<u>\$ (28,460)</u>	<u>\$ (34,006)</u>	<u>\$ (26,510)</u>	<u>\$ (42,362)</u>	<u>\$ (131,338)</u>

(a) Beginning in the 2003 fourth quarter, cost of sales includes \$103 of license fee amortization. ICOS Corporation does not recognize any Lilly ICOS LLC expenses associated with license fee amortization, as those expenses are solely applicable to Eli Lilly and Company.