

For Immediate Release

## **HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006 RESULTS**

*-- Provides Sales and Earnings Projections for 2007 --*

LAKE FOREST, Ill., Feb. 28, 2007 -- Hospira, Inc. (NYSE: HSP), a leading global hospital products company, today reported results for the fourth quarter and full year ended Dec. 31, 2006.

### Fourth Quarter:

- Net sales in the fourth quarter increased 9.3 percent to \$706.5 million. Core net sales\*, which exclude sales to Abbott and the impact of foreign exchange, also grew 9.3 percent for the quarter.
- Adjusted\* fourth-quarter diluted earnings per share were \$0.43 versus \$0.32 last year. Fourth-quarter 2006 adjusted\* diluted earnings per share include \$0.10 for the previously announced upfront payment to STADA for an R&D collaboration and \$0.04 of stock option expense.
- GAAP fourth-quarter 2006 diluted earnings per share were \$0.30 versus \$0.16 for the same period in 2005.

### Full Year:

- Net sales increased 2.4 percent to \$2.69 billion versus \$2.63 billion in 2005. Core net sales\*, which exclude sales of Berlex imaging agents, sales to Abbott and the impact of foreign exchange, grew 5.4 percent.
- Adjusted\* full-year 2006 diluted earnings per share were \$1.94 versus \$1.91 last year. Full-year 2006 adjusted\* diluted earnings per share include \$0.17 of stock option expense and \$0.10 for the upfront payment to STADA.
- GAAP full-year 2006 diluted earnings per share were \$1.48 versus \$1.46 in 2005.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006 RESULTS**  
**PAGE 2**

"Our strong fourth-quarter results capped off a year of great progress and strategic achievements for Hospira," said Christopher B. Begley, chief executive officer. "During 2006, we not only completed our transition from Abbott, but also made important investments to competitively position Hospira for continued success. The most significant of these was the agreement to acquire Mayne Pharma Limited, which we completed earlier this month. Looking ahead, much of our focus in 2007 will be on successfully integrating the two companies and building on the momentum we've created to drive greater global growth."

**Fourth-quarter Financial Highlights**

The following table highlights net sales, net income and diluted earnings per share results for the quarter ended Dec. 31, 2006:

In \$ millions, except per share amounts	GAAP		% Change	Adjusted*		% Change
	Three Months Ended Dec. 31			Three Months Ended Dec. 31		
	2006	2005		2006	2005	
Net Sales	\$706.5	\$646.2	9.3%	n/a	n/a	n/a
Net Income	\$47.4	\$26.6	78.4%	\$67.8	\$53.4	27.0%
Diluted EPS	\$0.30	\$0.16	87.5%	\$0.43	\$0.32	34.4%

The primary components of the year-over-year increase in net sales for the fourth quarter are as follows:

- Favorable volume and mix -- 7.7 percentage points,
- Favorable pricing in the U.S. -- 1.0 percentage point, and
- Favorable foreign currency translation -- 0.5 percentage point.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 3**

A schedule detailing sales by product line for the fourth quarter and full year of 2006 and 2005 is attached to this press release.

**Significant Events in the Fourth Quarter**

- Completed the acquisition of BresaGen Limited, an Australia-based biotechnology company, providing Hospira's biogenerics program with expertise and core competencies in protein and peptide manufacturing and cell development.
- Established an alliance with Germany-based STADA Arzneimittel AG and STADA-initiated BIOCEUTICALS Arzneimittel AG for the development, manufacture and distribution of a biosimilar version of the biopharmaceutical erythropoietin, positioning Hospira to participate in the early stages of the large, emerging biogenerics market.
- Launched the generic anti-nausea drug ondansetron in vial format immediately following the patent expiration of the branded version in late 2006. The company subsequently launched the generic in two additional delivery formats, including its new, proprietary iSecure™ prefilled disposable syringe.
- Introduced the Symbiq™ infusion system, an advanced medication management system that combines ease of use, reliability and next-generation technology.
- Expanded Hospira's board to nine directors, eight of whom are independent, with the election of Roger W. Hale, retired chairman and chief executive officer of LG&E Energy Corporation.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006 RESULTS**  
**PAGE 4**

**Additional Fourth-quarter Information**

In conjunction with the previous table, the following summarizes the financial results for the quarter ended Dec. 31, 2006:

In \$ millions	GAAP Three Months Ended Dec. 31		% Change	Adjusted* Three Months Ended Dec. 31		% Change
	2006	2005		2006	2005	
Gross Profit	\$250.3	\$185.3	35.1%	\$258.9	\$210.6	22.9%
R&D Expense	\$55.1	\$42.1	31.0%	\$54.6	\$41.5	31.4%
Acquired In-process R&D	\$10.0	--	n/m	--	--	n/m
S,G&A Expense	\$111.7	\$112.8	(1.0)%	\$106.2	\$103.9	2.2%
Income from Operations	\$73.6	\$30.4	142.1%	\$98.1	\$65.1	50.6%
<b>Statistics</b>						
Gross Margin	35.4%	28.7%		36.6%	32.6%	
R&D as % of Sales	7.8%	6.5%		7.7%	6.4%	
S,G&A as % of Sales	15.8%	17.5%		15.0%	16.1%	
Operating Margin	10.4%	4.7%		13.9%	10.1%	

Results under U.S. Generally Accepted Accounting Principles (GAAP) include the effects of non-recurring transition expenses, costs related to the company's manufacturing optimization initiatives, the write-off of in-process research and development (R&D) relating to the BresaGen acquisition, and other items as detailed in the schedules attached to this press release.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 5**

The improvement in adjusted\* gross margin was due in part to improved volume and mix, and favorable pricing.

The increase in adjusted\* R&D expense in part reflects a \$21.7 million upfront payment to STADA for a biogenerics R&D collaboration.

The increase in adjusted\* Selling, General and Administrative (S,G&A) expense was driven mainly by the inclusion of stock option expense in 2006 and higher, ongoing, incremental costs associated with being a stand-alone public company, particularly related to operating the company's independent information technology system and its international business. These factors were partially offset by lower investment spending.

The increase in adjusted\* operating margin was attributable to the increase in adjusted\* gross margin, which more than offset the higher R&D and S,G&A expense.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006 RESULTS**  
**PAGE 6**

**Full-year 2006 Results**

The following table highlights net sales, net income and diluted earnings per share results for the full year ended Dec. 31, 2006:

In \$ millions, except per share amounts	GAAP		% Change	Adjusted*		% Change
	Twelve Months Ended Dec. 31			Twelve Months Ended Dec. 31		
	2006	2005		2006	2005	
Net Sales	\$2,688.5	\$2,626.7	2.4%	n/a	n/a	n/a
Net Income	\$237.7	\$235.6	0.9%	\$311.8	\$308.5	1.1%
Diluted EPS	\$1.48	\$1.46	1.4%	\$1.94	\$1.91	1.6%

Net sales for the year were favorably affected by foreign currency translation of \$8.2 million. Excluding the benefit from foreign currency translation, net sales increased 2.0 percent over 2005. Core net sales\* grew 5.4 percent in 2006.

Both the GAAP and adjusted\* earnings per share in 2006 include \$0.17 of stock option expense.

**Cash Flow**

Cash flow from operations for 2006 was \$424.2 million, down from \$571.1 million in 2005. The decrease in cash flow relates primarily to higher inventory levels as the company built safety stocks to support its manufacturing optimization initiatives.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 7**

Capital expenditures were \$235.0 million for 2006, compared with \$256.1 million in 2005. The decline in spending to build out the company's independent infrastructure more than offset the capital spending related to its manufacturing optimization initiatives.

**2007 Projections**

Hospira projects that net sales for the 2007 year will be in the \$3.40 billion to \$3.48 billion range. Net sales excluding Mayne Pharma sales are projected to grow between 3 and 5 percent.

Adjusted\* diluted earnings per share for 2007 are projected to be in the range of \$2.11 to \$2.16. The adjusted\* earnings-per-share projection excludes:

- a projected \$35 million to \$45 million of pre-tax expense relating to the company's previously announced manufacturing optimization initiatives;
- a projected \$80 million to \$90 million of pre-tax expense relating to the integration of Mayne Pharma;
- purchase accounting charges resulting from the Mayne Pharma acquisition; and
- amortization of intangibles related to the Mayne Pharma acquisition.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 8**

The projected purchase accounting charges and amortization of intangibles will be determined based upon valuation of the assets and liabilities of Mayne Pharma, currently in process. The company will project earnings per share in accordance with GAAP when this valuation is completed.

The company projects that cash flow from operations in 2007 will be in the \$500 million to \$550 million range, with capital expenditures estimated in the \$230 million to \$260 million range. The company expects depreciation and amortization, excluding amortization related to the Mayne Pharma acquisition, to range between \$185 million and \$195 million.

**\*Use of Non-GAAP Financial Measures**

Non-GAAP financial measures used in this press release are reconciled to the most comparable measures calculated in accordance with GAAP in the schedules attached to this release. For more information regarding these non-GAAP financial measures, please see Hospira's Current Report on Form 8-K filed with the Securities and Exchange Commission on the date of this press release.

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 9**

**Webcast**

A conference call for investors and media will be held at 8 a.m. Central Time on Wednesday, Feb. 28, 2007. A live webcast of the conference call will be available at [www.hospirainvestor.com](http://www.hospirainvestor.com). Listeners should log on approximately 10 minutes in advance to ensure proper computer setup for receiving the webcast. A replay will be available on the Hospira Web site for 30 days following the call.

**About Hospira**

Hospira, Inc. is a global specialty pharmaceutical and medication delivery company dedicated to Advancing Wellness™ by developing, manufacturing and marketing products that help improve the productivity, safety and efficacy of patient care. In February 2007, Hospira acquired Mayne Pharma Limited to become the world leader in specialty generic injectable pharmaceuticals. With 70 years of service to the hospital industry, Hospira's portfolio includes one of the industry's broadest lines of generic acute-care and oncology injectables, which help address the high cost of proprietary pharmaceuticals; and integrated solutions for medication management and infusion therapy. Headquartered north of Chicago in Lake Forest, Ill., Hospira has approximately 15,000 employees and 18 manufacturing facilities worldwide. Hospira's news releases and other information can be found at [www.hospira.com](http://www.hospira.com).

**HOSPIRA REPORTS FOURTH-QUARTER AND FULL-YEAR 2006**  
**RESULTS**  
**PAGE 10**

**Private Securities Litigation Reform Act of 1995 --  
A Caution Concerning Forward-Looking Statements**

*This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the financial impact of the acquisition of Mayne Pharma and other statements regarding Hospira's goals and strategy. Hospira cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Hospira's operations and may cause actual results to be materially different from expectations include the risks, uncertainties and factors discussed under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Hospira's Annual Report on Form 10-K for the year ended Dec. 31, 2005, and Quarterly Reports on Form 10-Q for the quarter ended Sept. 30, 2006, filed with the Securities and Exchange Commission, which are incorporated by reference. Hospira undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.*

**Contacts:**

*Media*  
Stacey Eisen  
(224) 212-2276

*Financial Community*  
Lynn McHugh  
(224) 212-2363

Jason Hodges  
(224) 212-2863

###

**Hospira, Inc.**  
**Consolidated Statements of Income**  
**(Unaudited)**  
**(dollars and shares in thousands, except for per share amounts)**

	<u>Three Months Ended December 31</u>		<u>% Change</u>	<u>Twelve Months Ended December 31</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>	
Net sales	\$ 668,441	\$ 608,485	9.9	\$ 2,527,714	\$ 2,457,588	2.9
Net sales to Abbott Laboratories	38,029	37,665	1.0	160,791	169,108	(4.9)
Total Net Sales	<u>706,470</u>	<u>646,150</u>	9.3	<u>2,688,505</u>	<u>2,626,696</u>	2.4
Cost of products sold	456,137	460,850	(1.0)	1,749,262	1,777,640	(1.6)
Gross Profit	<u>250,333</u>	<u>185,300</u>	35.1	<u>939,243</u>	<u>849,056</u>	10.6
Research and development	55,095	42,067	31.0	161,621	138,834	16.4
Acquired in-process research and development	10,000	-	nm	10,000	-	nm
Selling, general and administrative	111,665	112,840	(1.0)	428,038	373,607	14.6
Income From Operations	<u>73,573</u>	<u>30,393</u>	142.1	<u>339,584</u>	<u>336,615</u>	0.9
Interest expense	8,025	7,334	9.4	31,024	28,276	9.7
Other (income), net	(3,743)	(5,646)	(33.7)	(16,137)	(13,736)	17.5
Income Before Income Taxes	<u>69,291</u>	<u>28,705</u>	141.4	<u>324,697</u>	<u>322,075</u>	0.8
Income tax expense	21,890	2,128	928.7	87,018	86,437	0.7
Net Income	<u>\$ 47,401</u>	<u>\$ 26,577</u>	78.4	<u>\$ 237,679</u>	<u>\$ 235,638</u>	0.9
Earnings Per Common Share:						
Basic	<u>\$ 0.30</u>	<u>\$ 0.16</u>	87.5	<u>\$ 1.51</u>	<u>\$ 1.48</u>	2.0
Diluted	<u>\$ 0.30</u>	<u>\$ 0.16</u>	87.5	<u>\$ 1.48</u>	<u>\$ 1.46</u>	1.4
Weighted Average Common Shares Outstanding:						
Basic	<u>155,814</u>	<u>161,171</u>	(3.3)	<u>157,368</u>	<u>159,275</u>	(1.2)
Diluted	<u>157,629</u>	<u>164,144</u>	(4.0)	<u>160,424</u>	<u>161,634</u>	(0.7)

**Hospira, Inc.**  
**Reconciliation of Consolidated Statements of Income**  
**(Unaudited)**  
**(dollars and shares in thousands, except per share amounts)**

	Three Months Ended December 31						% Change vs. Prior Year	
	2006			2005			GAAP	Adjusted
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted		
Net sales	\$ 668,441	\$ -	\$ 668,441	\$ 608,485	\$ -	\$ 608,485	9.9	9.9
Net sales to Abbott Laboratories	38,029	-	38,029	37,665	-	37,665	1.0	1.0
Total Net Sales	706,470	-	706,470	646,150	-	646,150	9.3	9.3
Cost of products sold	456,137	(8,528) A	447,609	460,850	(25,281) F	435,569	(1.0)	2.8
Gross Profit	250,333	8,528	258,861	185,300	25,281	210,581	35.1	22.9
Research and development	55,095	(528) B	54,567	42,067	(531) B	41,536	31.0	31.4
Acquired in-process research and development	10,000	(10,000) C	-	-	-	-	nm	nm
Selling, general and administrative	111,665	(5,448) D	106,217	112,840	(8,934) B	103,906	(1.0)	2.2
Income From Operations	73,573	24,504	98,077	30,393	34,746	65,139	142.1	50.6
Interest expense	8,025	-	8,025	7,334	-	7,334	9.4	9.4
Other (income), net	(3,743)	-	(3,743)	(5,646)	-	(5,646)	(33.7)	(33.7)
Income Before Income Taxes	69,291	24,504	93,795	28,705	34,746	63,451	141.4	47.8
Income tax expense	21,890	4,132 E	26,022	2,128	7,963 G	10,091	928.7	157.9
Net Income	\$ 47,401	\$ 20,372	\$ 67,773	\$ 26,577	\$ 26,783	\$ 53,360	78.4	27.0
Earnings Per Common Share:								
Basic	\$ 0.30	\$ 0.13	\$ 0.43	\$ 0.16	\$ 0.17	\$ 0.33	87.5	30.3
Diluted	\$ 0.30	\$ 0.13	\$ 0.43	\$ 0.16	\$ 0.16	\$ 0.32	87.5	34.4
Weighted Average Common Shares Outstanding:								
Basic	155,814	155,814	155,814	161,171	161,171	161,171	(3.3)	(3.3)
Diluted	157,629	157,629	157,629	164,144	164,144	164,144	(4.0)	(4.0)
<b>Statistics (as a % of Total Net Sales, except for income tax rate)</b>								
Gross Profit	35.4%		36.6%	28.7%		32.6%		
R&D	7.8%		7.7%	6.5%		6.4%		
SG&A	15.8%		15.0%	17.5%		16.1%		
Income From Operations	10.4%		13.9%	4.7%		10.1%		
Income Before Income Taxes	9.8%		13.3%	4.4%		9.8%		
Net Income	6.7%		9.6%	4.1%		8.3%		
Income tax rate	31.6%		27.7%	7.4%		15.9%		

A -- Includes costs of \$14,009 related to the announced closures of the Donegal, Ireland; Ashland, OH; Montreal, Canada; and North Chicago, IL facilities as part of Hospira's manufacturing optimization initiatives; a reduction of the obligation associated with the sale of the Salt Lake City, UT manufacturing plant to ICU Medical (\$5,725); non-recurring transition costs of \$130; and Mayne Pharma integration costs of \$114.

B -- Non-recurring transition costs.

C -- Acquired in-process research and development related to the acquisition of BresaGen.

D -- Includes integration charges of \$1,820 related to the acquisition of Mayne Pharma, integration charges of \$95 related to the acquisition of BresaGen, and non-recurring transition costs of \$3,533.

E -- Includes the impact of increasing the overall effective tax rate from 25.5% to 26.0%.

F -- Includes impairment of \$13,074 related to the Ashland, OH and Montreal, Canada manufacturing facilities; \$6,338 related to the Donegal, Ireland manufacturing plant closure; non-recurring transition costs of \$5,519; and costs related to the sale of the Salt Lake City, UT facility to ICU Medical of \$350.

G -- Includes the impact of decreasing the overall effective tax rate from 25.5% to 24.0%, and (\$361) tax impact of earnings repatriation related to The American Jobs Creation Act.

**Hospira, Inc.**  
**Reconciliation of Consolidated Statements of Income**  
**(Unaudited)**  
**(dollars and shares in thousands, except per share amounts)**

	Twelve Months Ended December 31						% Change vs. Prior Year	
	2006			2005			GAAP	Adjusted
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted		
Net sales	\$ 2,527,714	\$ -	\$ 2,527,714	\$ 2,457,588	\$ -	\$ 2,457,588	2.9	2.9
Net sales to Abbott Laboratories	160,791	-	160,791	169,108	-	169,108	(4.9)	(4.9)
Total Net Sales	2,688,505	-	2,688,505	2,626,696	-	2,626,696	2.4	2.4
Cost of products sold	1,749,262	(54,225) A	1,695,037	1,777,640	(48,722) E	1,728,918	(1.6)	(2.0)
Gross Profit	939,243	54,225	993,468	849,056	48,722	897,778	10.6	10.7
Research and development	161,621	(3,794) B	157,827	138,834	(906) B	137,928	16.4	14.4
Acquired in-process research and development	10,000	(10,000) C	-	-	-	-	nm	nm
Selling, general and administrative	428,038	(28,592) D	399,446	373,607	(34,249) B	339,358	14.6	17.7
Income From Operations	339,584	96,611	436,195	336,615	83,877	420,492	0.9	3.7
Interest expense	31,024	-	31,024	28,276	-	28,276	9.7	9.7
Other (income), net	(16,137)	-	(16,137)	(13,736)	-	(13,736)	17.5	17.5
Income Before Income Taxes	324,697	96,611	421,308	322,075	83,877	405,952	0.8	3.8
Income tax expense	87,018	22,519	109,537	86,437	10,991 F	97,428	0.7	12.4
Net Income	\$ 237,679	\$ 74,092	\$ 311,771	\$ 235,638	\$ 72,886	\$ 308,524	0.9	1.1
Earnings Per Common Share:								
Basic	\$ 1.51	\$ 0.47	\$ 1.98	\$ 1.48	\$ 0.46	\$ 1.94	2.0	2.1
Diluted	\$ 1.48	\$ 0.46	\$ 1.94	\$ 1.46	\$ 0.45	\$ 1.91	1.4	1.6
Weighted Average Common Shares Outstanding:								
Basic	157,368	157,368	157,368	159,275	159,275	159,275	(1.2)	(1.2)
Diluted	160,424	160,424	160,424	161,634	161,634	161,634	(0.7)	(0.7)
<b>Statistics (as a % of Total Net Sales, except for income tax rate)</b>								
Gross Profit	34.9%		37.0%	32.3%		34.2%		
R&D	6.0%		5.9%	5.3%		5.3%		
SG&A	15.9%		14.9%	14.2%		12.9%		
Income From Operations	12.6%		16.2%	12.8%		16.0%		
Income Before Income Taxes	12.1%		15.7%	12.3%		15.5%		
Net Income	8.8%		11.6%	9.0%		11.7%		
Income tax rate	26.8%		26.0%	26.8%		24.0%		

A -- Includes costs of \$64,251 related to the announced closures of the Donegal, Ireland; Ashland, OH; Montreal, Canada; and North Chicago, IL facilities as part of Hospira's manufacturing optimization initiatives; a reduction of the obligation associated with the sale of the Salt Lake City, UT manufacturing plant to ICU Medical (\$6,825); a gain on the sale of the Donegal, Ireland facility (\$7,851); integration costs associated with the acquisition of Mayne Pharma of \$114; and non-recurring transition costs of \$4,536.

B -- Non-recurring transition costs.

C -- Acquired in-process research and development related to the acquisition of BresaGen.

D -- Includes integration charges of \$1,820 related to the acquisition of Mayne Pharma, integration charges of \$95 related to the acquisition of BresaGen, and non-recurring transition costs of \$26,677.

E -- Includes an impairment charge of \$2,429 and other charges of \$13,754 related to the sale of the Salt Lake City, UT manufacturing plant to ICU Medical; \$8,616 related to the closure of the Donegal, Ireland facility as part of Hospira's manufacturing optimization initiatives; impairment charges of \$13,074 related to the Montreal, Canada and Ashland, Ohio manufacturing facilities; and non-recurring transition costs of \$10,849.

F -- Includes \$9,139 tax impact of earnings repatriation related to The American Jobs Creations Act.

**Hospira, Inc.**  
**Reconciliation of Earnings Per Share**  
**(Unaudited)**

	<u>Three Months Ended December 31</u>		<u>Twelve Months Ended December 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Diluted Earnings Per Common Share - GAAP	\$ 0.30	\$ 0.16	\$ 1.48	\$ 1.46
Adjustments:				
Non-recurring transition costs	0.02	0.07	0.16	0.22
Charges related to manufacturing optimization initiatives	0.07	0.09	0.30	0.10
Gain on sale of Donegal, Ireland facility	-	-	(0.04)	-
Tax Impact of earnings repatriation related to The American Jobs Creations Act	-	-	-	0.06
Reduction of obligation related to the 2005 sale of Salt Lake City, UT manufacturing plant	(0.03)	-	(0.03)	-
Obligation related to the sale of Salt Lake City, UT manufacturing plant	-	-	-	0.06
Integration Costs of Mayne Pharma and BresaGen	0.01	-	0.01	-
Acquired in-process research and development -- BresaGen	0.06	-	0.06	-
Asset impairment charge related to the sale of Salt Lake City, UT manufacturing plant	-	-	-	0.01
Subtotal of Adjustments	<u>0.13</u>	<u>0.16</u>	<u>0.46</u>	<u>0.45</u>
Diluted Earnings per Common Share - Adjusted	<u>\$ 0.43</u>	<u>\$ 0.32</u>	<u>\$ 1.94</u>	<u>\$ 1.91</u>

**Reconciliation of Stock Options Expense Impact on Diluted Adjusted Earnings Per Share**  
**(Unaudited)**

Had the Company recorded stock option expense during 2005, adjusted diluted EPS would have increased 48.3 percent over the quarter ended December 31, 2005, and increased 7.2 percent for the twelve months ended December 31, 2005. A reconciliation follows:

	<u>Three Months Ended December 31</u>			<u>Twelve Months Ended December 31</u>		
	<u>2006</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Diluted Earnings Per Common Share - Adjusted (2005 Stock Option Expense not included)	\$ 0.43	\$ 0.32	34.4	\$ 1.94	\$ 1.91	1.6
Pro-forma Options Expense	<u>n/a</u>	<u>(0.03)</u>		<u>n/a</u>	<u>(0.10)</u>	
Diluted Earnings Per Common Share - Adjusted (2005 Stock Option Expense included)	<u>\$ 0.43</u>	<u>\$ 0.29</u>	48.3	<u>\$ 1.94</u>	<u>\$ 1.81</u>	7.2

**Hospira, Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
**(dollars in thousands)**

<b>Assets</b>	<u>December 31 2006</u>	<u>December 31 2005</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 322,045	\$ 520,610
Net trade receivables	335,334	327,146
Inventories	626,934	510,268
Prepaid expenses, deferred income taxes and other receivables	<u>238,577</u>	<u>203,141</u>
Total Current Assets	<u>1,522,890</u>	<u>1,561,165</u>
Net property and equipment	1,039,431	990,813
Intangible assets, net of amortization	17,103	14,926
Goodwill	91,857	89,197
Deferred income taxes	76,367	17,692
Investments	31,341	13,928
Other assets	<u>68,598</u>	<u>101,461</u>
Total Assets	<u><u>\$ 2,847,587</u></u>	<u><u>\$ 2,789,182</u></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Short-term borrowings	\$ 4,532	\$ 2,579
Trade accounts payable	130,968	129,865
Salaries payable and other accruals	470,726	384,713
Due to Abbott, net	<u>-</u>	<u>79,079</u>
Total Current Liabilities	<u>606,226</u>	<u>596,236</u>
Long-term debt	702,044	695,285
Post-retirement obligations, deferred income taxes and other long-term liabilities	178,228	169,794
Commitments and Contingencies	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,486,498</u>	<u>1,461,315</u>
Total Shareholders' Equity	<u>1,361,089</u>	<u>1,327,867</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 2,847,587</u></u>	<u><u>\$ 2,789,182</u></u>

**Hospira, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(dollars in thousands)**

	Twelve Months Ended December 31	
	2006	2005
Cash Flow From (Used in) Operating Activities:		
Net income	\$ 237,679	\$ 235,638
Adjustments to reconcile net income to net cash from operating activities --		
Depreciation	154,790	154,460
Amortization of intangibles	1,927	1,831
Write-off of acquired in-process research and development	10,000	-
Stock-based compensation expense	35,900	-
Gain on sale of facility	(7,851)	-
Impairment of long-lived assets	-	13,074
Changes in assets and liabilities --		
Trade receivables	(1,132)	(10,707)
Inventories	(106,056)	(9,722)
Prepaid expenses and other assets	(19,660)	(8,094)
Trade accounts payable	7,899	28,690
Other liabilities	88,240	135,506
Other, net	22,454	30,411
Net Cash From Operating Activities	424,190	571,087
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(234,961)	(256,108)
Acquisitions of businesses	(17,109)	(23,590)
Proceeds from sale of facilities	19,283	31,818
Purchases of intangibles and other investments	(18,449)	(8,990)
Sales of marketable securities	-	72,438
Net Cash (Used in) Investing Activities	(251,236)	(184,432)
Cash Flow From (Used in) Financing Activities:		
Payment to Abbott for international assets	(126,235)	(116,727)
Common stock repurchased	(299,766)	-
Issuance of long-term debt, net of fees paid	-	5,252
Repayment of long-term debt	(144)	(124)
Other borrowings, net	2,653	1,385
Excess tax benefit from stock-based compensation arrangements	3,403	-
Proceeds from stock options exercised	42,361	118,819
Net Cash (Used in) From Financing Activities	(377,728)	8,605
Effect of exchange rate changes on cash and cash equivalents	6,209	(2,345)
Net change in cash and cash equivalents	(198,565)	392,915
Cash and cash equivalents at beginning of period	520,610	127,695
Cash and cash equivalents at end of period	\$ 322,045	\$ 520,610

**Hospira, Inc.**  
**(Unaudited)**  
**(dollars in thousands)**

**Sales by Product Line**

	Three Months Ended December 31			Twelve Months Ended December 31		
	2006	2005	% Change	2006	2005	% Change
U.S. --						
Specialty Injectable Pharmaceuticals	\$ 216,642	\$ 214,297	1.1	\$ 807,557	\$ 845,291	(4.5)
Medication Delivery Systems	228,985	197,634	15.9	855,483	796,360	7.4
Injectable Pharmaceutical Contract Manufacturing	43,387	32,788	32.3	183,266	178,777	2.5
Sales to Abbott Laboratories	19,604	24,210	(19.0)	90,464	104,747	(13.6)
Other	71,982	67,747	6.3	283,731	262,600	8.0
Total U.S.	580,600	536,676	8.2	2,220,501	2,187,775	1.5
International --						
Sales to Third Parties	107,445	96,019	11.9	397,677	374,560	6.2
Sales to Abbott Laboratories	18,425	13,455	36.9	70,327	64,361	9.3
Total International Sales	125,870	109,474	15.0	468,004	438,921	6.6
Consolidated Net Sales	\$ 706,470	\$ 646,150	9.3	\$ 2,688,505	\$ 2,626,696	2.4

**Reconciliation of Consolidated Net Sales to Core Net Sales**

	Three Months Ended December 31			Twelve Months Ended December 31		
	2006	2005	% Change	2006	2005	% Change
Consolidated Net Sales	\$ 706,470	\$ 646,150	9.3	\$ 2,688,505	\$ 2,626,696	2.4
Less:						
Sales to Abbott Laboratories	(38,029)	(37,665)		(160,791)	(169,108)	
Berlex imaging agents	-	79		-	(67,001)	
Impact of foreign currency	(3,200)	-		(8,200)	-	
Core Net Sales	\$ 665,241	\$ 608,564	9.3	\$ 2,519,514	\$ 2,390,587	5.4

**Hospira, Inc.**  
**Segment Information**  
**(Unaudited)**  
**(dollars in thousands)**

	Three Months Ended December 31					
	Net Sales			Income from Operations		
	2006	2005	% Change	2006	2005	% Change
U.S.	\$ 580,600	\$ 536,676	8.2	\$ 106,502 A	\$ 38,786 A	174.6
International	125,870	109,474	15.0	(13,873) B	10,410 B	(233.3)
Total reportable segments	<u>\$ 706,470</u>	<u>\$ 646,150</u>	9.3	92,629	49,196	88.3
Corporate functions				(19,056) C	(18,803) C	1.3
Income from operations				73,573	30,393	142.1
Other, net				(4,282)	(1,688)	nm
Income before income taxes				<u>\$ 69,291</u>	<u>\$ 28,705</u>	141.4

Included in the reported Income before income taxes above, are the following costs:

A -- U.S.			
Non-recurring transition costs	\$ 3,756	\$ 10,188	
Costs/(Income) associated with the sale of the Salt Lake City, UT manufacturing plant	(5,725)	350	
Costs related to the planned closures of the Ashland, OH and North Chicago, IL facilities	9,827	13,074	
Integration Costs - BresaGen	95	-	
Integration Costs - Mayne Pharma	1,934	-	
Total U.S.	<u>\$ 9,887</u>	<u>\$ 23,612</u>	
B -- International			
Non-recurring transition costs	287	2,800	
Costs related to the announced closures of the Donegal, Ireland and Montreal, Canada facilities	4,182	6,338	
Gain on the sale of the Donegal, Ireland facility	-	-	
Acquired in-process research and development -- BresaGen	10,000	-	
Total International	<u>\$ 14,469</u>	<u>\$ 9,138</u>	
C -- Corporate			
Non-recurring transition costs	148	1,996	
Total Corporate	<u>\$ 148</u>	<u>\$ 1,996</u>	
Total	<u>\$ 24,504</u>	<u>\$ 34,746</u>	

	Twelve Months Ended December 31					
	Net Sales			Income from Operations		
	2006	2005	% Change	2006	2005	% Change
U.S.	\$ 2,220,501	\$ 2,187,775	1.5	\$ 384,240 A	\$ 328,517 A	17.0
International	468,004	438,921	6.6	15,572 B	68,407 B	(77.2)
Total reportable segments	<u>\$ 2,688,505</u>	<u>\$ 2,626,696</u>	2.4	399,812	396,924	0.7
Corporate functions				(60,228) C	(60,309) C	(0.1)
Income from operations				339,584	336,615	0.9
Other, net				(14,887)	(14,540)	nm
Income before income taxes				<u>\$ 324,697</u>	<u>\$ 322,075</u>	0.8

Included in the reported Income before income taxes above, are the following costs:

A -- U.S.			
Non-recurring transition costs	\$ 23,646	\$ 34,965	
Costs/(Income) associated with the sale of the Salt Lake City, UT manufacturing plant	(6,825)	16,183	
Costs related to the planned closures of the Ashland, OH and North Chicago, IL facilities	35,333	13,074	
Integration Costs - BresaGen	95	-	
Integration Costs - Mayne Pharma	1,934	-	
Total U.S.	<u>\$ 54,183</u>	<u>\$ 64,222</u>	
B -- International			
Non-recurring transition costs	8,613	7,047	
Costs related to the announced closures of the Donegal, Ireland and Montreal, Canada facilities	28,918	8,616	
Gain on the sale of the Donegal, Ireland facility	(7,851)	-	
Acquired in-process research and development -- BresaGen.	10,000	-	
Total International	<u>\$ 39,680</u>	<u>\$ 15,663</u>	
C -- Corporate			
Non-recurring transition costs	2,748	3,992	
Total Corporate	<u>\$ 2,748</u>	<u>\$ 3,992</u>	
Total	<u>\$ 96,611</u>	<u>\$ 83,877</u>	