

LILLY ELI & CO
Form 8-K
April 16, 2007

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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): April 16, 2007

ELI LILLY AND COMPANY

(Exact name of registrant as specified in its charter)

Indiana
(State or Other Jurisdiction
of Incorporation)

001-06351
(Commission
File Number)

35-0470950
(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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On April 16, 2007, we issued a press release announcing our results of operations for the quarter ended March 31, 2007, including, among other things, an income statement for that period. 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 99.1, and a 2006 pro forma financial analysis is attached as Exhibit 99.2.

We use non-GAAP financial measures, such as adjusted net income and adjusted 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 99.1, we used non-GAAP financial measures in comparing the financial results for the first quarter of 2007 with the same period of 2006. Those measures include operating income, income before taxes, income taxes, effective tax rate, net income, and earnings per share adjusted to exclude the effect of the following charges affecting the first quarter of 2007 (described in more detail in the press release attached as Exhibit 99.1):

Restructuring charges associated with previously announced manufacturing decisions.

In-process research and development charges associated with the acquisition of ICOS Corporation (which closed on January 29, 2007) and an in-licensing transaction with OSI Pharmaceuticals.

In addition, for the period ending March 31, 2007, we provided in the press release a pro forma analysis of our results, prepared in accordance with GAAP, assuming that the acquisition of ICOS was completed on January 1, 2006. This analysis includes adjustments to the first quarters of both 2006 and 2007 for the ICOS acquisition, as well as the adjustments described above for the first quarter of 2007.

In the press release attached as Exhibit 99.1, we also provided financial expectations for the second quarter and full year 2007. In addition to providing earnings per share expectations on a GAAP basis, we provided earnings per share expectations on an adjusted basis and on a pro forma basis (assuming the ICOS acquisition was completed January 1, 2006). In order to provide a more meaningful earnings-per-share growth comparison between 2006 results and expected 2007 results, we adjusted 2006 earnings per share for a product liability charge and asset impairments and restructuring charges associated with manufacturing decisions recognized in the fourth quarter of 2006 (described in more detail in our Form 8-K dated January 29, 2007). We adjusted 2007 expected earnings per share for the first-quarter 2007 items described above, and for the estimated second-quarter in-process research and development charge associated with the acquisition of Hypnion, Inc. (described in more detail in the press release attached as Exhibit 99.1). For the pro forma presentation of our financial guidance, we also assumed that the ICOS acquisition was completed on January 1, 2006.

Attached as Exhibit 99.2 is a pro forma 2006 financial analysis that will be made available on our website in connection with the teleconference mentioned above. This analysis shows

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consolidated income statements for each of the four quarters and the full year 2006, adjusted for the 2006 items identified above and assuming the ICOS acquisition was completed on January 1, 2006.

The items that we exclude when we provide adjusted results or adjusted expectations 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.

Similarly, we have provided pro forma results in order to help investors make meaningful comparisons of 2007 to 2006 results and identify underlying operating trends that might otherwise be masked by the inclusion of ICOS results in 2007.

The information in this Item 2.02, the press release attached as Exhibit 99.1, and the pro forma financial analysis 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 9.01. Financial Statements and Exhibits

| Exhibit Number | Description |
|----------------|---|
| 99.1 | Press release dated April 16, 2007, together with related attachments |
| 99.2 | Pro forma financial analysis |

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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: April 16, 2007

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| Exhibit Number | Exhibit |
|----------------|--|
| 99.1 | Press release dated April 16, 2007, together with related attachments. |
| 99.2 | Additional pro forma financial analysis |