

LILLY ELI & CO
Form 8-K
January 26, 2005

Table of Contents

**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): **January 26, 2005**

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)

TABLE OF CONTENTS

Item 2.02. Results of Operations and Financial Condition

SIGNATURES

EXHIBIT INDEX

Press Release

Table of Contents

Item 2.02. Results of Operations and Financial Condition

On January 26, 2005, we issued a press release announcing our results of operations for the quarter and year ended December 31, 2004, including, among other things, an income statement for those periods and a consolidated balance sheet as of December 31, 2004. 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.

We use non-GAAP financial measures, such as adjusted net income and diluted earnings per share. Non-GAAP financial measures differ from financial statements reported in conformity with U.S. generally accepted accounting principles (GAAP). There are non-GAAP financial measures used in comparing the financial results for the fourth quarter and full year of 2004 with the same periods of 2003. Those measures are operating income, other income net, earnings, and earnings per share excluding the impact of:

The following charges recognized in the fourth quarter of 2004 (described in more detail in our Forms 8-K dated October 21, 2004 and December 20, 2004, and in the attached press release):

- Asset impairments, restructuring, and other special charges
- Tax expense accrued on the expected repatriation to the U.S. of \$8.0 billion of eligible overseas earnings in 2005 under the American Jobs Creation Act of 2004
- A charge for acquired in-process research and development related to the in-license of an insomnia compound from Merck KGaA

Asset impairment charges recognized in the second quarter of 2004 (described in more detail in our Form 8-K dated July 22, 2004)

A charge for acquired in-process research and development in connection with the acquisition of Applied Molecular Evolution, Inc. in the first quarter of 2004 (described in more detail in our Form 8-K dated April 19, 2004)

A gain on the sale of patents of the compound dapoxetine in the fourth quarter of 2003 (described in more detail in our Form 8-K dated January 29, 2004)

Asset impairments, restructuring and special charges incurred in the first and fourth quarters of 2003 (described in more detail in our Forms 8-K dated April 22, 2003 and January 29, 2004, respectively).

In the press release attached as Exhibit 99, we also provided financial expectations for the first quarter and full year 2005. In addition to providing earnings per share expectations on a GAAP

Table of Contents

basis, we provided earnings per share expectations on an adjusted basis. The adjustments were as follows:

We excluded the effect of the 2004 items listed above. The items that are subject to the adjustments are typically highly variable, difficult to predict, and of a size that could have a substantial impact on our reported operations for a period.

In addition, we provided adjusted proforma earnings per share for 2004. Beginning January 1, 2005, we have adopted the Financial Accounting Standard Board's new accounting standard on share-based payments. We determined that it would be useful for investors to provide a year-over-year comparison between 2004 and 2005 assuming comparable accounting treatment in both years. Therefore, we have provided adjusted proforma earnings per share for 2004 that assumes we expensed stock options in 2004.

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 could otherwise be masked or distorted by the excluded items. 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.

In particular, given our decision to adopt the new accounting rules for equity compensation for the full year 2005, we believe the best way for investors to understand year-over-year comparisons with 2004 is to adjust 2004 as if we had applied the new accounting rules.

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 matters, such as those identified above, as to which prospective quantification generally is not feasible.

The information in this Item 2.02 and the press released attached as Exhibit 99 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.

Table of Contents

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/ Charles E. Golden

Name: Charles E. Golden
Title: Executive Vice President and Chief
Financial Officer

Dated: January 26, 2005

Table of Contents

EXHIBIT INDEX

Exhibit Number

Exhibit

99 Press release dated January 26, 2005, together with related attachments.