

Financial Statements and Supplementary Data

Consolidated Statements of Operations

ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions and shares in thousands,
except per-share data)

	Year Ended December 31	2018	2017	2016
Revenue	\$	24,555.7	\$ 22,871.3	\$ 21,222.1
Costs, expenses, and other:				
Cost of sales		6,430.0	6,150.8	5,710.1
Research and development		5,307.1	5,357.3	5,310.3
Marketing, selling, and administrative		6,631.8	6,680.1	6,528.0
Acquired in-process research and development (Notes 3)		1,983.9	1,112.6	30.0
Asset impairment, restructuring, and other special charges (Note 5)		482.0	1,673.6	382.5
Other—net, (income) expense (Note 17)		(74.8)	(300.5)	(112.8)
		20,760.0	20,673.9	17,848.1
Income before income taxes		3,795.7	2,197.4	3,374.0
Income taxes (Note 13)		563.7	2,401.5	636.4
Net income (loss)	\$	3,232.0	\$ (204.1)	\$ 2,737.6
Earnings (loss) per share:				
Basic	\$	3.14	\$ (0.19)	\$ 2.59
Diluted	\$	3.13	\$ (0.19)	\$ 2.58
Shares used in calculation of earnings (loss) per share:				
Basic		1,027,721	1,052,023	1,058,324
Diluted		1,033,667	1,052,023	1,061,825

See notes to consolidated financial statements.

Consolidated Balance Sheets

ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions, shares in thousands)

	December 31	2018	2017
Assets			
<i>Current Assets</i>			
Cash and cash equivalents (Note 7)	\$	7,998.2	\$ 6,536.2
Short-term investments (Note 7)		88.2	1,497.9
Accounts receivable, net of allowances of \$32.5 (2018) and \$38.7 (2017)		5,246.5	4,546.3
Other receivables		958.4	715.9
Inventories (Note 6)		4,111.8	4,458.3
Prepaid expenses and other		2,146.5	1,447.5
Total current assets		20,549.6	19,202.1
<i>Other Assets</i>			
Investments (Note 7)		2,020.7	5,678.8
Goodwill (Note 8)		4,347.5	4,370.1
Other intangibles, net (Note 8)		3,521.0	4,029.2
Deferred tax assets (Note 13)		2,657.7	1,166.4
Sundry		1,892.4	1,707.9
Total other assets		14,439.3	16,952.4
Property and equipment, net (Note 9)		8,919.5	8,826.5
Total assets	\$	43,908.4	\$ 44,981.0
Liabilities and Equity			
<i>Current Liabilities</i>			
Short-term borrowings and current maturities of long-term debt (Note 10)	\$	1,131.2	\$ 3,706.6
Accounts payable		1,412.3	1,410.7
Employee compensation		1,054.5	997.9
Sales rebates and discounts		5,021.9	4,465.1
Dividends payable		650.8	590.6
Income taxes payable (Note 13)		404.0	532.9
Other current liabilities		2,213.4	2,832.1
Total current liabilities		11,888.1	14,535.9
<i>Other Liabilities</i>			
Long-term debt (Note 10)		11,639.7	9,940.5
Accrued retirement benefits (Note 14)		2,911.3	3,513.9
Long-term income taxes payable (Note 13)		3,724.6	3,776.5
Other noncurrent liabilities		2,835.6	1,546.3
Total other liabilities		21,111.2	18,777.2
<i>Commitments and Contingencies (Note 15)</i>			
<i>Eli Lilly and Company Shareholders' Equity (Notes 11 and 12)</i>			
Common stock—no par value Authorized shares: 3,200,000 Issued shares: 1,057,639 (2018) and 1,100,672 (2017)		661.0	687.9
Additional paid-in capital		6,583.6	5,817.8
Retained earnings		11,395.9	13,894.1
Employee benefit trust		(3,013.2)	(3,013.2)
Accumulated other comprehensive loss (Note 16)		(5,729.2)	(5,718.6)
Cost of common stock in treasury		(69.4)	(75.8)
Total Eli Lilly and Company shareholders' equity		9,828.7	11,592.2
Noncontrolling interests		1,080.4	75.7
Total equity		10,909.1	11,667.9
Total liabilities and equity	\$	43,908.4	\$ 44,981.0

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

Year Ended December 31

2018

2017

2016

Cash Flows from Operating Activities						
Net income (loss)	\$	3,232.0	\$	(204.1)	\$	2,737.6
Adjustments to Reconcile Net Income (Loss) to Cash Flows from Operating Activities:						
Depreciation and amortization		1,609.0		1,567.3		1,496.6
Change in deferred income taxes		326.8		(787.9)		439.5
Stock-based compensation expense		279.5		281.3		255.3
Acquired in-process research and development		1,983.9		1,112.6		30.0
Other non-cash operating activities, net		472.0		441.5		376.1
Other changes in operating assets and liabilities, net of acquisitions and divestitures:						
Receivables—(increase) decrease		(996.7)		(357.0)		(709.4)
Inventories—(increase) decrease		7.8		(253.9)		(328.2)
Other assets—(increase) decrease		(980.0)		(590.1)		(265.5)
Income taxes payable—increase (decrease)		(125.3)		3,489.6		(304.8)
Accounts payable and other liabilities—increase (decrease)		(284.5)		916.3		1,123.8
Net Cash Provided by Operating Activities		5,524.5		5,615.6		4,851.0
Cash Flows from Investing Activities						
Purchases of property and equipment		(1,210.6)		(1,076.8)		(1,037.0)
Proceeds from disposals of property and equipment		3.6		40.7		73.4
Proceeds from sales and maturities of short-term investments		2,552.5		4,852.5		1,642.0
Purchases of short-term investments		(112.2)		(3,389.7)		(1,327.4)
Proceeds from sales of noncurrent investments		3,509.5		2,586.0		2,086.0
Purchases of noncurrent investments		(837.9)		(4,611.6)		(4,346.0)
Purchases of in-process research and development		(1,807.6)		(1,086.8)		(55.0)
Cash paid for acquisitions, net of cash acquired (Note 3)		—		(882.1)		(45.0)
Other investing activities, net		(191.3)		(215.8)		(130.1)
Net Cash Provided by (Used for) Investing Activities		1,906.0		(3,783.6)		(3,139.1)
Cash Flows from Financing Activities						
Dividends paid		(2,311.8)		(2,192.1)		(2,158.5)
Net change in short-term borrowings		(2,197.9)		1,397.5		1,293.2
Proceeds from issuance of long-term debt		2,477.7		2,232.0		1,206.6
Repayments of long-term debt		(1,009.1)		(630.6)		(0.2)
Purchases of common stock		(4,150.7)		(299.8)		(600.1)
Net proceeds from Elanco initial public offering (Note 3)		1,659.7		—		—
Other financing activities, net		(372.8)		(364.4)		(300.8)
Net Cash Provided by (Used for) Financing Activities		(5,904.9)		142.6		(559.8)
Effect of exchange rate changes on cash and cash equivalents		(63.6)		(20.5)		(236.4)
Net increase in cash and cash equivalents		1,462.0		1,954.1		915.7
Cash and cash equivalents at beginning of year		6,536.2		4,582.1		3,666.4
Cash and Cash Equivalents at End of Year	\$	7,998.2	\$	6,536.2	\$	4,582.1

See notes to consolidated financial statements.