

LILLY ELI & CO
Form 10-Q
July 26, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

FOR THE QUARTER ENDED JUNE 30, 2013
COMMISSION FILE NUMBER 001-6351

ELI LILLY AND COMPANY

(Exact name of Registrant as specified in its charter)

INDIANA

(State or other jurisdiction of
incorporation or organization)

35-0470950

(I.R.S. Employer
Identification No.)

LILLY CORPORATE CENTER, INDIANAPOLIS, INDIANA 46285

(Address of principal executive offices)

Registrant's telephone number, including area code (317) 276-2000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of a "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

The number of shares of common stock outstanding as of July 20, 2013:

Class	Number of Shares Outstanding
Common	1,126,637,846

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” expressions.

In particular, information appearing under “Management's Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we (“Lilly” or the “company”) express an expectation or belief as to future results or events, it is based on management's current plans and expectations, expressed in good faith and believed to have a reasonable basis. However, we can give no assurance that any such expectation or belief will result or will be achieved or accomplished.

More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2012 and all subsequently filed Quarterly Reports on Form 10-Q, particularly under the captions “Forward-Looking Statements” and “Risk Factors.”

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report.

PART I. Financial Information

Item 1. Financial Statements

Consolidated Condensed Statements of Operations

(Unaudited)

ELI LILLY AND COMPANY AND SUBSIDIARIES

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(Dollars in millions, except per-share data)			
Revenue	\$5,929.7	\$5,600.7	\$11,531.7	\$11,202.7
Cost of sales	1,165.2	1,146.7	2,323.5	2,344.6
Research and development	1,330.4	1,320.7	2,678.5	2,472.2
Marketing, selling, and administrative	1,867.6	1,931.1	3,519.6	3,778.6
Asset impairments, restructuring, and other special charges (Note 5)	63.5	—	85.2	23.8
Other – net, (income) expense (Note 14)	(11.9) 16.5	(541.1) 62.5
	4,414.8	4,415.0	8,065.7	8,681.7
Income before income taxes	1,514.9	1,185.7	3,466.0	2,521.0
Income taxes (Note 10)	308.7	262.1	711.8	586.3
Net income	\$1,206.2	\$923.6	\$2,754.2	\$1,934.7
Earnings per share – basic (Note 9)	\$1.12	\$0.83	\$2.54	\$1.73
Earnings per share – diluted (Note 9)	\$1.11	\$0.83	\$2.53	\$1.73
Dividends paid per share	\$0.49	\$0.49	\$0.98	\$0.98

See Notes to Consolidated Condensed Financial Statements.

Consolidated Condensed Statements of Comprehensive Income
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Net income	\$1,206.2	\$923.6	\$2,754.2	\$1,934.7
Other comprehensive income (loss), net of tax (Note 13)	65.7	(385.0)	(151.6)	(75.6)
Comprehensive income	\$1,271.9	\$538.6	\$2,602.6	\$1,859.1

See Notes to Consolidated Condensed Financial Statements.

Consolidated Condensed Balance Sheets
 ELI LILLY AND COMPANY AND SUBSIDIARIES

	June 30, 2013	December 31, 2012
	(Dollars in millions)	
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents (Note 6)	\$3,786.5	\$4,018.8
Short-term investments (Note 6)	924.5	1,665.5
Accounts receivable, net of allowances of \$107.2 (2013) and \$108.5 (2012)	3,579.1	3,336.3
Other receivables	634.9	552.0
Inventories	2,725.4	2,643.8
Prepaid expenses and other	988.9	822.3
Total current assets	12,639.3	13,038.7
Other Assets		
Investments (Note 6)	6,561.4	6,313.3
Goodwill and other intangibles – net (Note 3)	4,508.5	4,752.7
Sundry	1,880.1	2,534.0
Total other assets	12,950.0	13,600.0
Property and Equipment		
Land, buildings, equipment, and construction-in-progress	15,037.9	14,918.0
Less accumulated depreciation	(7,401.2) (7,157.8
Property and equipment, net	7,636.7	7,760.2
Total assets	\$33,226.0	\$34,398.9
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	\$1,023.2	\$11.9
Accounts payable	1,141.0	1,188.3
Employee compensation	671.3	940.3
Sales rebates and discounts	1,797.5	1,777.2
Dividends payable	527.0	541.4
Income taxes payable	37.3	143.5
Deferred income taxes	913.6	1,048.0
Other current liabilities	2,297.6	