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Laurent MEESCHAERT
28 rue Saint Lazare
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Dear Mr. MEESCHAERT:

Thank you for your recent inquiry regarding Lilly's position on the research use of adult stem cells, umbilical cord blood stem cells, and embryonic stem cells. Dr. Lechleiter forwarded your request to me for comment.

Lilly respects the fact that individuals may have strong beliefs about biological materials and their sources, including embryonic and fetal sources. Therefore, Lilly has endorsed a company position on stem cell research that provides guidance for both internal and external (collaborative) research. The highlights of this position are as follows:

- Lilly uses stem cells that are derived from animals and from human sources where appropriate informed consent and/or assent can be obtained and there is little risk of harm to the sample donor. Lilly believes that the majority of its research and development goals that require the use of stem cell technology can be achieved with these sources. New technologies – such as induced pluripotent stem (iPS) cells created from adult cells – offer many advantages, including some traditionally offered only by embryonic stem cell sources. Until these technologies are refined, however, Lilly would consider the use of human embryonic stem cells, but only in exceptional cases where rigorous due diligence confirms that the research addresses a compelling medical need which cannot be answered by an alternative method. Lilly does not or would not use stem cells derived from human embryos created specifically for research purposes or from elective abortions.
- Before procuring tissue, cells, or cell lines for use in Lilly-sponsored work – either internally or externally – it must be verified that they were obtained in compliance with applicable laws and under ethical circumstances that protect the rights and interests of the donor.
- Lilly leaders and members of the Lilly Bioethics Advisory Committee will continue to monitor advances in regenerative medicine carefully to stay current with bioethical issues as well as assess impact on drug discovery efforts.

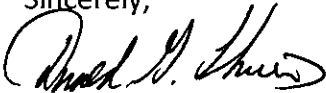
Currently, there is no research activity with embryonic or fetal stem cells within Lilly Research Laboratories or ImClone. At this time, we use animal stem cells and human stem cells derived

from adult human tissue, such as bone marrow, fat, skin, and tumors, as well as umbilical cord blood. We're also pursuing research with iPS cells, whereby pluripotent stem cells can be derived from mature cells – like skin cells – obtained from human donors.

Attached is Lilly's public position statement on Stem Cell Research, which can be accessed on our website, Lilly.com: <http://lilly.com/responsibility/business/Pages/bioethics.aspx>.

We trust this answers your questions. Thank you for your inquiry and your pursuit to be an informed investor.

Sincerely,



Donald G. Therasse, M.D.
Vice President
Global Patient Safety and Bioethics

Enclosure

Stem Cell Research

Stem cells and their derivatives possess unique properties that make them powerful tools in drug discovery and development. Lilly believes in the scientific potential of stem cell research, but also acknowledges that there are conflicting views about the ethics of using human stem cells derived from certain sources.

Therefore, in order to support scientific innovation, respect human life, and respect stakeholder views, Lilly uses stem cells that are derived from animals, and from human sources where appropriate informed consent and/or assent can be obtained and there is little risk of harm to the sample donor.

Lilly believes that the majority of its research and development goals that require the use of stem cell technology can be achieved with these sources. New scientific technologies, such as induced pluripotent stem (iPS) cells created from adult cells, offer many new advantages, including some traditionally offered only by embryonic stem cells. While iPS cells may reduce or eliminate the need for embryonic stem cells, this technology is not yet fully proven. Until iPS technology is further developed, Lilly would consider using human embryonic stem cells, but only in exceptional cases after rigorous due diligence confirms that the research addresses a compelling medical need and the scientific question cannot be answered adequately by an alternative method.

As stem cell technology progresses, Lilly will reassess the necessity of using stem cells derived from human embryos. Lilly will not utilize stem cells that are derived from human embryos created specifically for research purposes or from electively aborted fetuses. Before procuring tissue, cells, or cell lines for use in Lilly-sponsored work – either internally or externally – it must be verified that they were obtained in compliance with applicable laws and under circumstances that protect the rights and interests of the donor.

Regarding the use of human stem cells, Lilly will not engage in research that introduces human stem cells into animal embryos.