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Date: April 20, 2009

Ms Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **File Number S7-20-08**
Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by US Issuers

Dear Ms. Murphy:

Eli Lilly and Company ("Lilly") has reviewed the Securities and Exchange Commission's (the "SEC") proposed Roadmap for adoption of International Financial Reporting Standards ("IFRS") and appreciates the opportunity to share our views regarding the Roadmap. Lilly is a multinational pharmaceutical company with legal entities in over 50 jurisdictions.

We support the SEC's proposed move to a single set of global accounting standards. We do believe that this move will enhance comparability across exchanges, allow for easier access for foreign debt markets, and, ultimately, streamline financial reporting. IFRS is positioned to be the set of global standards due to its broad acceptance as the basis for accounting standards in over 100 countries. This support for the adoption of IFRS for global financial reporting as set out in the Roadmap does, however, come with concerns that are discussed further below.

We would like to respond to the SEC Roadmap's questions by addressing our primary concerns: the designation of a final date certain for adoption of IFRS, the significant use of personnel and financial resources required to implement IFRS, the support for easing of requirements for the early adoption of IFRS standards, and the convergence of US GAAP accounting standards with IFRS.

Adoption of a Final Date Certain

We believe that the primary item to be addressed in the final issuance of the Roadmap is certainty regarding the adoption date of IFRS for U.S. filers. While we agree with the assertion that progress on the milestones should be considered in 2011, we believe the SEC should make a decision concerning a mandatory adoption date well before 2011. Given the complexities of the conversion, companies will need at least 2 years to prepare for a global conversion. We do not believe it is possible to withhold a final decision on the adoption date until 2011 and expect companies to adopt starting in 2014 while providing comparative data from 2012. An effective date of 2014 would imply a January 1, 2012 opening balance sheet, only months after a final decision assumed in the current Roadmap.

Some of the changes required by IFRS may require changes in systems and processes that cannot be practically adjusted on a retroactive basis and therefore require such system and process changes to be in place by the transition date of the opening balance sheet. Companies may well need to develop and maintain dual reporting under both US GAAP and IFRS over the 3-year period, assuming a 2014 adoption. These changes must be made while still maintaining existing systems and processes to measure and account for such transactions under current principles and controls. System conversions, adaptations, and process changes make such a conversion a lengthy process if done appropriately, particularly at large, multi-national organizations.

Based upon the facts above, we believe there needs to be a 2-year minimum transition period from the date that the SEC makes the final determination to the beginning of the dual reporting period. This transition period will allow reasonable time to modify and implement systems and process changes required to comply with IFRS.

Further, we believe that under the proposed IFRS Roadmap there is no incentive for companies to commit resources to an IFRS conversion until a final decision is made in 2011. Given the current economic environment and given the uncertainty regarding the final decision in 2011, we are concerned companies may be hesitant to expend significant resources on a long-term project that has not been fully vetted and where the final outcome is not readily apparent.

We believe that the designation of certain mandatory adoption date expeditiously will allow companies to move forward with their conversion as efficiently and cost-effectively as possible. We strongly encourage the SEC to make the decision on whether IFRS will be mandated in the near term.

Significant Use of Financial Resources

We would like to address the SEC's questions regarding the potential costs of converting to IFRS. Our internal estimate of our conversion cost is a range of $20-30 million. This number does not capture the opportunity cost of having high quality internal resources committed to an IFRS conversion compared to other value added activities. Additionally, resources in these challenging economic times, particularly Information Technology(IT) professionals and technical accountants, are in high demand, and we can not justify investing those resources in a project when there is uncertainty as to the ultimate usefulness of that investment or a firm timeline on conversion.

Specifically related to information technology, we have done internal research regarding the differences in current US GAAP and IFRS to determine the potential impacts on Lilly financial statements and current policies. Based on our assessment, it will take significant time and resources to implement IT system upgrades, particularly with respect to dual reporting and consolidation over the 3-year period. We expect that it will take 2-3 years to adequately plan and execute major changes in order to ensure the system of internal controls is adequately covered. A few examples of the difficulty regarding dual reporting are the tracking dual inventory standard costs, accounting for the fluctuations of deferred taxes related to share-based payments, and the proper accounting for deferred taxes relating to intercompany sales. We are certain that there will be other IT changes necessitated by the move to IFRS that will be discovered as we continue to research the accounting standards.

We do believe that there are several items that the SEC could address which would assist companies in reducing the costs associated with conversion. The Roadmap currently provides that upon IFRS adoption, the SEC expects that it would require U.S. issuers to provide three years of audited IFRS financial statements in the first year of IFRS reporting. We believe the requirement to provide three years of comparative IFRS financial statements will place a significant resource and cost burden on U.S. issuers to achieve the 3-year filing requirement. As an alternative, the SEC should consider only requiring two years of comparative data in the first year of adoption, and then add a third year in the year following adoption. This would reduce the number of years requiring dual reporting. If the SEC decides to reduce the number of years of comparative data to two years, we suggest that the requirement for selected financial data should also be reduced to two years in the year of adoption, building to the current requirement for five years. Consistent with the previous point on reduction of comparative data required in the first year of adoption, we believe that the requirements on MD&A should be modified to allow for a discussion of the most recent two years of IFRS financial statements under IFRS guidance and the previous year's MD&A to refer to US GAAP results.

Easing of Early Adoption Standards

We support the option for companies to adopt IFRS early as mentioned in the Roadmap. Regarding the Roadmap's early adoption proposals, we support Proposal A which specifies a one-time reconciliation between IFRS and US GAAP as required by IFRS 1 First-time Adoption.

We do, however, oppose presenting an ongoing reconciliation between IFRS and US GAAP for companies that choose to adopt IFRS prior to the mandatory date (Proposal B). Fulfilling this requirement would essentially eliminate any benefit from converting to IFRS and would go beyond the reporting requirements of foreign private issuers.

Providing additional reconciliations, as noted in Proposal B, would add time, cost and workload to the reporting process and put U.S. companies at a disadvantage to their foreign competitors issuing IFRS only financial reports. This process also increases the complexity in financial reporting, requiring additional compliance controls to be put in place. This increased complexity would be amplified for the largest U.S. issuers with substantial foreign operations and subsidiaries.

We would like the SEC to consider making the election to transfer to IFRS a voluntary one for companies who do not meet the current qualifications for early adoption. This would allow companies to evaluate the impact of IFRS and make the most favorable decision prior to the mandatory adoption date. While this has the potential to create confusion in the investor community for a short time, we believe that the option would allow companies to benefit while also providing the SEC with valuable information on conversion issues.

Convergence

While we understand that convergence is one of the factors that the SEC should consider as part of the overall Roadmap, we still believe that the SEC should focus on setting a date certain now. The SEC should not hinge their decision to move forward on a mandatory date based on the convergence progress. Otherwise if we wait until such point, we may never end up converting to IFRS. Despite the diligent efforts of both boards, progress on convergence has been very slow to-date. Once a date certain is determined, companies will experience conversion costs whether they are changes from the FASB or the IASB.

What is critical is for the FASB and the IASB to incorporate a "black-out" period in which both boards would stop issuing standards for a period leading up to the mandatory adoption date. This is similar to what was done for the 2005 European conversion and will allow US companies to focus on their transition.

Other Comments

While supporting the move to IFRS, we feel that the principles-based nature of the standards poses some issues. We believe there is a significant risk that audit firms will interpret IFRS and develop a preferential treatment, in effect setting the accounting guidance as opposed to allowing companies to set policies based on principles as was intended by the IASB. In discussions with our consultants on IFRS, we have begun to see this in practice where audit firms with a minority view often reconsider this view in light of the majority's view. This behavior undercuts the intent of IFRS and leads us away from a principles-based approach.

We appreciate the opportunity to express our views and concerns regarding the Roadmap. If you have any questions regarding our letter, or would like to discuss our comments further, please contact me at (317) 276-2024.

Sincerely,

ELI LILLY AND COMPANY

S/Arnold C. Hanish
Vice President Finance and Chief Accounting Officer