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Lilly Announces Acquisition of Hypnion
Deal Will Bolster Lilly's Sleep Disorder Research With Promising Insomnia Compound

Indianapolis, IN and Lexington, MA -- Eli Lilly and Company (NYSE: LLY) and Hypnion, Inc. today announced that they have signed a definitive merger agreement whereby Lilly will acquire Hypnion, a privately held neuroscience drug discovery company focused on sleep disorders. The transaction has received the requisite approval of Hypnion stockholders and is expected to close near the end of the first quarter of 2007, contingent upon clearance under the Hart-Scott-Rodino Anti-Trust Improvements Act and other customary closing conditions. Financial terms of the deal were not disclosed.

"The acquisition of Hypnion provides Lilly with a broader and more substantive presence in the area of sleep disorder research," said Steven M. Paul, M.D., executive vice president, science and technology for Lilly. "Hypnion has leveraged its expertise in this area to develop both innovative technologies and molecules, including the promising insomnia compound HY10275. We are excited to bring this expertise to Lilly and continue the efforts to discover better treatments for patients struggling with insomnia and other sleep disorders."

Nick Galakatos, Ph.D., chairman of Hypnion, commented, "Having demonstrated the promise of our pipeline of sleep medicines in the clinic and our enabling SCORE technology, we recognized that a partnership with a leading pharmaceutical company was our best strategy for moving forward quickly. Given Lilly's long record of achievement in neuroscience, we are confident that together we can produce safer and more efficacious sleep medications."

In January, Hypnion announced that its compound HY10275 met the primary and secondary endpoints in the company's initial Phase II clinical trial at doses of 1 mg and 3 mg in adults with transient insomnia. HY10275 is a proprietary compound discovered and developed by Hypnion as a dual-acting H1/5HT2a compound using the *SCORE-2004*TM technology.

Lazard Freres served as financial advisors to Hypnion, while Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. served as their legal advisors. For Lilly, Lehman Brothers served as financial advisors and Dewey Ballantine served as legal advisors on the deal.

About Hypnion, Inc.

Hypnion is a neuroscience drug discovery and development company that is focused on sleep disorders. The company was founded in 2000 by leading scientists in the field of sleep disorder research and has proprietary rights to the sleep-wake drug discovery system, *SCORE-2004*TM. The system is predictive of human response and allows high-throughput pre-clinical testing of non-addictive sleep disorder drug candidates. Additional information about Hypnion is available at www.hypnion.com

About Eli Lilly and Company

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers – through medicines and information – for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com. C-LLY

This press release contains forward-looking statements about the benefits of a merger between Lilly and Hypnion and the potential of Hypnion's technology and pipeline. It reflects Lilly's and Hypnion's current beliefs, assuming that the transaction is successfully closed; however, as with any such undertaking, there are substantial risks and uncertainties in the process of implementing the transaction. There is no guarantee Lilly will realize the expected benefits, or that Hypnion's technology or pipeline will yield commercially successful pharmaceutical products. For further discussion of these and other risks and uncertainties, please see Lilly's latest Form 10-K filed February 2007. The companies undertake no duty to update forward-looking statements.

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