August 9, 2010

XOMA Reports Second Quarter 2010 Financial Results

BERKELEY, Calif., Aug. 9, 2010 (GLOBE NEWSWIRE) -- XOMA Ltd. (Nasdaq:XOMA), a leader in the discovery and development of therapeutic antibodies, today announced its financial results for the second quarter ended June 30, 2010 and provided a general business update.

"With the completion of enrollment in the Phase 2b clinical trial of XOMA 052 in Type 2 diabetes patients, we expect to announce top line results in the first quarter of 2011 as planned," said Steven B. Engle, XOMA's Chairman and Chief Executive Officer. "In an exciting new expansion of the potential indications for XOMA 052, we reported positive clinical results in June from a pilot study of XOMA 052 in uveitis of Behcet's disease, a vascular inflammatory disease, which may lead to a new therapeutic approach for patients suffering from this vision-threatening condition. In addition, studies of IL-1 inhibition by others have recently shown promise in the treatment of gout, another vascular inflammatory disease, which further expands the potential of XOMA 052. Finally, biodefense revenues in the first half have already surpassed last year's total biodefense revenues. We expect total biodefense revenues in 2010 to be three times those of last year."

Financial Results

XOMA had total revenues of $5.9 million in the second quarter of 2010, compared with $9.7 million in the second quarter of 2009. The decrease in the 2010 period compared with the 2009 period was primarily due to reduced revenue from collaboration agreements and reduced royalties due to the sale of the company's royalty interest in LUCENTIS(R) in the third quarter of 2009.

XOMA had total operating expenses of $24.4 million in the quarter ended June 30, 2010, compared with $19.5 million in the 2009 second quarter. Research and development expenses were $19.3 million in the 2010 second quarter, compared with $13.5 million in the 2009 second quarter, primarily reflecting increased spending on the XOMA 052 Phase 2 clinical program in the second quarter of 2010. Selling, general and administrative expenses were $5.0 million in the 2010 second quarter compared with $5.7 million in the 2009 second quarter, reflecting decreased expenses for salaries and related personnel costs primarily as a result of the January 2009 workforce reduction, and continued cost control measures.

At June 30, 2010, XOMA had cash and cash equivalents of $12.1 million, compared with $23.9 million at December 31, 2009. Subsequent to June 30, 2010, XOMA raised $15.6 million in gross proceeds from equity financings, and received a $0.8 million milestone payment from AVEO Pharmaceuticals, Inc. related to the initiation of a Phase 2 clinical trial of AVEO 299 in patients with non-small cell lung cancer.

Recent Highlights

- Enrollment completed in Phase 2b dose-ranging clinical trial of XOMA 052 in patients with Type 2 diabetes: XOMA achieved its 325 patient goal, and a total of 421 patients have been enrolled. The primary endpoint of this trial is reduction in glycosylated hemoglobin, or HbA1c, compared to baseline after six months of treatment. Multiple diabetic outcomes and biomarkers of cardiovascular risk will also be evaluated. Top line results from the trial are expected in the first quarter of 2011.

- Positive clinical results reported with XOMA 052 in patients with uveitis of Behcet's disease: Data were reported at the Annual Congress of the European League Against Rheumatism (EULAR) and the International Congress on Behcet's disease, demonstrating rapid improvement in vision-threatening disease exacerbations in all seven treated patients. Five patients received a second infusion to blunt a developing exacerbation, and all responded to the second infusion. The drug appeared to be safe, and no drug-related adverse events were reported.

- XOMA 052 orphan drug designation for Behcet's disease granted in U.S. by Food and Drug Administration and recommended in European Union by European Medicines Agency: Orphan drug designation provides market exclusivity for seven years following approval for the given indication in the U.S., and up to ten years following approval in the European Union. Other potential benefits include protocol assistance and financial incentives, depending upon the location.

- New peer-reviewed journal articles elucidate XOMA 052's unique and powerful mechanism of action and in vivo activity: Publications covering the mechanism of action of XOMA 052 and its favorable effects on measures associated with diabetes and cardiovascular disease in the diet-induced obesity mouse model were published in the Journal of Biological Chemistry and the journal Endocrinology, respectively. In addition, new preclinical results were presented at the American Diabetes Association 70th Scientific Sessions demonstrating the potential for XOMA 052 use in combination with either sitagliptin (Januvia(R)) or exendin-4 (Byetta(R)) in Type 2 diabetes patients.

- IL-1 inhibiting agents demonstrate clinical efficacy in gout flare treatment and prevention: Results announced for canakinumab and rilonacept, two marketed agents that target IL-1, showed statistically significant efficacy in reducing the number of gout flares and treating disease exacerbations, adding to the growing body of clinical evidence in support of IL-1 inhibition for the treatment of auto-inflammatory diseases. These results continue to build evidence of the efficacy and tolerability of the class of IL-1 inhibiting agents which includes XOMA 052.

- Increased biodefense revenues. Revenues from XOMA's biodefense contracts rose to approximately $8.9 million in the first six months of 2010, and are expected to increase to approximately $20 million in total by year-end, representing a more than three-fold increase from levels in 2009.

Additional Financial Results

Interest expense for the second quarter of 2010 was $0.1 million compared with $1.7 million for the same period of 2009. The decrease in the 2010 period compared with the 2009

period was primarily due to the repayment in full of the term loan with Goldman Sachs Specialty Lending Holdings, Inc. in September 2009. Other income was $3.0 million in the 2010 second quarter compared with $1.1 million in the first quarter of 2009. This increase was primarily related to revaluation of warrant liabilities in the 2010 second quarter.

Liquidity and Capital Resources

Net cash used in operations during the first half of 2010 was $32.5 million compared with cash provided by operations of $1.4 million for the same period in 2009. The decrease in cash provided by operating activities in the 2010 period was primarily due to a decrease in revenue receipts for license and collaborative fees and royalties and an increase in spending on the XOMA 052 Phase 2 clinical program. In the first six months of 2009, we received $23.2 million related to the expansion of our existing collaboration with Takeda, and recognized royalty revenue from sales of LUCENTIS(R) and RAPTIVA(R) of $6.4 million.

Guidance

The company will not be providing specific guidance on overall revenues or cash receipts for 2010 so as to best manage its ongoing negotiations for XOMA 052 and technology licensing and in light of general economic and market conditions. The company expects that cash used in operating activities in 2010 may range from $45 million to cash neutral or positive.

NASDAQ Status

As previously announced, in March 2010, XOMA received a Staff Determination letter from the NASDAQ Stock Market LLC indicating that the company has not regained compliance with the minimum $1.00 per share requirement for continued inclusion on The NASDAQ Global Market, pursuant to NASDAQ Listing Rule 5450(a)(1). We requested a hearing before a NASDAQ Listing Qualifications Panel (the "Panel") to present our plan for regaining compliance and to seek additional time to do so.

On June 15, 2010, the Panel granted the request for an extension of time, as permitted under NASDAQ's Listing Rules, to comply with the $1.00 per share minimum bid price requirement for continued listing. In accordance with the Panel's decision, on or before September 13, 2010, XOMA must evidence a closing bid price of $1.00 or more for a minimum of ten consecutive trading days or the company's common shares will be subject to delisting from the NASDAQ Global Market. Under NASDAQ's rules, this date represents the maximum length of time that a Panel may grant to regain compliance.

At XOMA's annual general meeting of shareholders on July 21, 1010, the company's shareholders authorized the Board of Directors to effect a share consolidation, or reverse stock split, of the company's common shares at any time on or before July 21, 2011 at a ratio within a range of 1 for 2 to 1 for 15, as determined by the Board in its sole discretion.

Investor Conference Call

XOMA will host a conference call and webcast to discuss its first quarter 2010 financial results today, August 9, 2010, at 4:30 pm ET. The webcast can be accessed via the Investors section of XOMA's website at http://investors.xoma.com/events.cfm and will be available for replay until close of business on November 9, 2010.

About XOMA

XOMA discovers, develops and manufactures novel antibody therapeutics for its own proprietary pipeline as well as through license and collaborative agreements with pharmaceutical and biotechnology companies, and under its contracts with the U.S. government. The company's proprietary product pipeline includes:

- XOMA 052, an anti-IL-1 beta antibody in Phase 2 clinical development for Type 2 diabetes with cardiovascular biomarkers, Type 1 diabetes, and with potential for the treatment of a wide range of inflammatory conditions. XOMA 052 also has demonstrated positive clinical benefit in a proof-of-concept trial for the treatment of vision-threatening uveitis of Behcet's disease.

- XOMA 3AB, an antibody candidate in pre-IND studies to neutralize the botulinum toxin, among the most deadly potential bioterror threats, under development through funding provided by the National Institute of Allergy and Infectious Diseases of the National Institutes of Health (Contract # HHSN266200600008C).

- A preclinical pipeline with candidates in development for several diseases.

In addition to its proprietary pipeline, XOMA develops products with premier pharmaceutical companies including Novartis AG, Schering Corporation, a subsidiary of Merck & Co., Inc. and Takeda Pharmaceutical Company Limited.

XOMA's technologies have contributed to the success of marketed antibody products, including LUCENTIS(R) (ranibizumab injection) for wet age-related macular degeneration and CIMZIA(R) (certolizumab pegol) for rheumatoid arthritis and Crohn's disease.

The company has a premier antibody discovery and development platform that incorporates an unmatched collection of antibody phage display libraries and proprietary Human Engineering(tm), affinity maturation, Bacterial Cell Expression (BCE) and manufacturing technologies. BCE is a key breakthrough biotechnology for the discovery and manufacturing of antibodies and other proteins. As a result, sixty pharmaceutical and biotechnology companies have signed BCE licenses, and several licensed product candidates are in clinical development.

XOMA has a fully integrated product development infrastructure, extending from pre-clinical science to approval, and a team of about 225 employees at its Berkeley, California location. For more information, please visit http://www.xoma.com.

The XOMA Ltd. logo is available at https://www.globenewswire.com/newsroom/prs/?pkgid=5960

Safe Harbor Statement

Certain statements contained herein concerning the timing of results of clinical trials, marketing exclusivity or other aspects of product development, including expected revenues from government contracts, or that otherwise relate to future periods, are 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. These statements are based on assumptions that

may not prove accurate. Actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated market.

Among other things, results of clinical trials may be delayed or may never become available as a result of, unavailability of resources, actions or inaction by our present or future collaboration partners, insufficient enrollment in such trials or unanticipated safety issues; and results of clinical trials may in any event not be consistent with preclinical or interim results; marketing exclusivity is contingent on marketing approval and does not assure market acceptance or demand; and we may earn less than expected from our government contracts if we are unable to satisfy the demands of the government agency with which we have entered into those contracts.

These and other risks, including those related to inability to comply with NASDAQ's continued listing requirements; the generally unstable nature of current economic and financial market conditions; the results of discovery research and preclinical testing; the timing or results of pending and future clinical trials (including the design and progress of clinical trials; safety and efficacy of the products being tested; action, inaction or delay by the FDA, European or other regulators or their advisory bodies; and analysis or interpretation by, or submission to, these entities or others of scientific data); uncertainties regarding the status of biotechnology patents; uncertainties as to the cost of protecting intellectual property; changes in the status of the existing collaborative and licensing relationships; the ability of collaborators, licensees and other third parties to meet their obligations; market demand for products; scale up and marketing capabilities; competition; international operations; share price volatility; XOMA's financing needs and opportunities; and risks associated with XOMA's status as a Bermuda company, are described in more detail in XOMA's most recent annual report on Form 10-K and in other SEC filings. Consider such risks carefully in considering XOMA's prospects.

XOMA Ltd.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Revenues:				
License and collaborative fees	$ 150	$ 155	$ 339	$ 27,855
Contract and other revenue	5,481	7,576	12,292	14,974
Royalties	311	1,975	513	6,581
Total revenues	5,942	9,706	13,144	49,410
Operating expenses:				
Research and development	19,346	13,507	36,933	30,028
Selling, general and administrative	5,026	5,655	10,579	11,775

Restructuring	--	312	--	3,601
Total operating expenses	24,372	19,474	47,512	45,404
(Loss) income from operations	(18,430)	(9,768)	(34,368)	4,006
Other income (expense):				
Investment and interest income	6	8	9	38
Interest expense	(90)	(1,671)	(177)	(3,439)
Other income (expense)	2,950	1,134	(2,813)	1,137
Net (loss) income before taxes	(15,564)	(10,297)	(37,349)	1,742
Provision for income tax expense (benefit)	16	(87)	16	5,713
Net loss	$ (15,580)	$ (10,210)	$ (37,365)	$ (3,971)
Basic and diluted net loss per common share	$ (0.06)	$ (0.07)	$ (0.15)	$ (0.03)
Shares used in computing basic and diluted net loss per common share	250,431	150,283	250,431	146,011

XOMA Ltd.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2010	December 31, 2009
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,101	$ 23,909
Trade and other receivables, net	8,516	7,231
Prepaid expenses and other current assets	1,811	1,012
Total current assets	22,428	32,152
Property and equipment, net	17,556	20,270
Other assets	466	402
Total assets	$ 40,450	$ 52,824
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current liabilities:		
Accounts payable	$ 4,708	$ 2,942
Accrued liabilities	7,167	8,639
Deferred revenue	1,424	2,114
Warrant liabilities	4,836	4,760
Other current liabilities	22	223
Total current liabilities	18,157	18,678
Deferred revenue -- long-term	1,605	2,894
Interest bearing obligation -- long-term	13,505	13,341
Other long-term liabilities	347	385
Total liabilities	33,614	35,298
Shareholders' equity	6,836	17,526
Total liabilities and shareholders' equity	$ 40,450	$ 52,824

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