November 10, 2008

XOMA Restructures Drug Development Collaboration Including Oncology Drug Candidate HCD122

XOMA to Receive Upfront Cash, Potential Milestones and Higher Royalties, Full Funding of Ongoing R&D, Reduction of Existing Loan and Elimination of Certain XOMA Payment Obligations

BERKELEY, Calif., Nov. 10, 2008 (GLOBE NEWSWIRE) -- XOMA Ltd. (Nasdaq:XOMA), a leader in the discovery and development of therapeutic antibodies, today announced the restructuring of its product development collaboration with Novartis Vaccines and Diagnostics, Inc. ("Novartis"), which involves six development programs including the ongoing HCD122 program. Under the restructured agreement Novartis will make an upfront payment to XOMA of $6.2 million; fully fund all future R&D expenses; reduce existing debt by $7.5 million; pay potential milestones of up to $14 million and double-digit royalty rates for two ongoing product programs including HCD122; and provide XOMA with options to develop or receive royalties on four additional programs currently pending selection. In exchange, Novartis will have control over the HCD122 program and the additional ongoing program, as well as the right to expand the development of these programs into additional indications outside of oncology. As part of the agreement, NVS will pay XOMA for all project costs incurred after July 1.

Novartis will pay XOMA royalties on sales of HCD122 and one other active product program candidate, based on aggregate sales in all indications. If either XOMA or Novartis chooses to activate any or all of the four currently pending programs, the developing company will pay the other party reduced royalties on sales of any resulting products. In all cases, royalty rates are subject to certain customary adjustments.

"The restructured agreement with Novartis allows XOMA to focus our resources on proprietary projects like XOMA 052, an anti-inflammatory drug candidate designed for use in multiple diseases, while maintaining a share of the potential value of the product candidates resulting from the collaboration," noted Steven Engle, Chairman and Chief Executive Officer of XOMA. "Importantly, the development of HCD122 can now be expanded under Novartis' leadership into new disease indications. We believe this expansion is a key step in realizing the full potential of this program."

About the Agreement

Formed in 2004, the collaboration between XOMA and Novartis (then Chiron Corporation) began with the signing of an exclusive, worldwide, multi-product agreement to develop and

commercialize multiple antibody products for the treatment of cancer. The companies shared expenses and revenues, generally on a 70-30 basis, with XOMA's share being 30 percent. Financial terms included initial payments to XOMA in 2004 totaling $10.0 million and a note agreement, secured by XOMA's interest in the collaboration, to fund up to 75 percent of the company's share of expenses beginning in 2005. In the first quarter of 2007, the mutual obligations of XOMA and Novartis to work together on an exclusive basis in oncology expired, except with respect to existing collaborative product development projects.

As of June 30, 2008, XOMA had $21.3 million of outstanding principal on its secured note agreement with Novartis. Under the revised agreement, the principal has been reduced by $7.5 million to $13.8 million. The remaining principal of approximately $13.8 million is due in 2015 and accrues interest at a rate of 2 percent plus LIBOR. Under the revised agreement, no additional draw downs on the note may be made by XOMA.

About HCD122

HCD122 is a fully human monoclonal antibody that targets CD40. The investigational drug is in a Phase 1/B-2A clinical trial for the treatment of lymphoma and a Phase 1 clinical trial for the treatment of multiple myeloma. The antibody has a dual mechanism of action that involves inhibition of CD40-ligand mediated growth and survival while recruiting immune effector cells to kill CD40-expressing tumor cells through a process known as antibody-dependent cellular cytotoxicity (ADCC). CD40, a member of the tumor necrosis factor superfamily, is a cell surface antigen expressed in B-cell malignancies and involved in a broad variety of immune and inflammatory responses.

About XOMA

XOMA discovers, develops and manufactures therapeutic antibody and other agents designed to treat inflammatory, autoimmune, infectious and cancerous diseases and is engaged in 16 active development projects. The company's expanding pipeline includes XOMA 052, an anti-IL-1 beta antibody, and XOMA 629, a synthetic antimicrobial peptide compound derived from bactericidal/permeability-increasing protein.

XOMA's proprietary development pipeline is primarily funded by multiple revenue streams resulting from the licensing of its antibody technologies, product royalties, development collaborations, and biodefense contracts. XOMA's technologies and experienced team have contributed to the success of marketed antibody products, including RAPTIVA(r) (efalizumab) for chronic moderate to severe plaque psoriasis, LUCENTIS(r) (ranibizumab injection) for wet age-related macular degeneration and CIMZIA(r) (certolizumab pegol) for Crohn's disease.

The company has a premier antibody discovery and development platform that incorporates leading antibody phage display libraries and XOMA's proprietary Human Engineering(tm) and bacterial cell expression technologies. Bacterial cell expression is a key breakthrough biotechnology for the discovery and manufacturing of antibodies and other proteins. As a result, more than 50 pharmaceutical and biotechnology companies have signed BCE licenses.

In addition to developing its own products, XOMA develops products with premier

pharmaceutical companies including Schering-Plough Research Institute and Takeda Pharmaceutical Company Limited. XOMA has a fully integrated product development infrastructure, extending from pre-clinical science to marketing approval, and a team of 330 employees at its Berkeley location. For more information, please visit http://www.xoma.com.

Certain statements contained herein concerning contingent payments under existing agreements and/or product development 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 XOMA will not receive contingent payments under existing contracts if related milestone events are not achieved or if royalty-bearing products are not successfully developed, approved for sale and sold.

These and other risks, including those related to the results of discovery and pre-clinical 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); changes in the status of existing collaborative relationships; the ability of collaborators and other partners to meet their obligations; XOMA's ability to meet the demands of the United States government agency with which it has entered into its government contracts; competition; market demands for products; scale-up and marketing capabilities; availability of additional licensing or collaboration opportunities; international operations; share price volatility; XOMA's financing needs and opportunities; uncertainties regarding the status of biotechnology patents; uncertainties as to the costs of protecting intellectual property; and risks associated with XOMA's status as a Bermuda company, are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects.

CONTACT: Porter Novelli Life Sciences for XOMA
Media & Investors Contact:
Carolyn Hawley
619-849-5375
chawley@pnlifesciences.com