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XOMA Initiates Phase 1 European Trial in Diabetes for XOMA 052, a Novel Anti-IL-1 Antibody Designed to Target Diabetes, Rheumatoid Arthritis and Other Inflammatory Diseases

BERKELEY, Calif., Sept. 12, 2007 (PRIME NEWSWIRE) -- XOMA Ltd. (Nasdaq:XOMA) today announced the start of a second Phase 1 clinical study of XOMA 052, a potent monoclonal antibody targeting Interleukin-1 beta (IL-1 beta), in patients with Type 2 diabetes. IL-1 plays a role in multiple inflammatory diseases and has been implicated in the pathogenesis of Type 2 diabetes through the destruction of the pancreatic islet cells that produce insulin. According to the American Diabetes Association, approximately 20.8 million adults and children in the U.S. have diabetes, and one out of every 10 health care dollars spent in the United States is spent on diabetes and its complications.

This European-based study is designed to assess the safety and pharmacokinetics of XOMA 052. It will enroll up to 36 subjects with Type 2 diabetes and includes disease-specific outcome measurements. The trial will also strengthen XOMA's involvement with the European researchers and institutions specialized in the investigation of the IL-1 disease pathway in diabetes. Marc Y. Donath, M.D., Professor at the University Hospital of Zurich and a pioneer in this area, is the study's principal investigator.

In July of 2007, XOMA started a Phase 1 clinical trial in the U.S. of XOMA 052 in Type 2 diabetes patients. The U.S. based trial is currently ongoing. XOMA expects to use the safety data from the two Phase 1 studies to guide the development of XOMA 052 in Type 2 diabetes and to evaluate its relevance for other inflammatory indications, which may include rheumatoid arthritis, systemic juvenile idiopathic arthritis and osteoarthritis. XOMA 052 was developed using technologies and capabilities from XOMA's proven antibody discovery and development platform.

Alan Solinger, M.D., XOMA's Vice President of Clinical Immunology noted, "We are optimistic about the therapeutic potential of XOMA 052 for use in the treatment of multiple inflammatory diseases. The importance of the IL-1 pathway for rheumatoid arthritis is already well documented in humans. A recent clinical study reported in the New England Journal of Medicine (NEJM) on April 12, 2007 shed important light on the key role of IL-1 signaling in Type 2 diabetes. Specifically, the study demonstrated that inhibiting IL-1 signaling with an IL-1 receptor antagonist improved pancreatic islet cell function and glycemic (sugar) regulation in Type 2 diabetes patients. We believe XOMA 052, with a high

affinity for IL-1 beta and potentially long circulating half-life in the bloodstream, is particularly well suited as a potential treatment of Type 2 diabetes and other IL-1 beta mediated conditions."

Steven Engle, Chief Executive Officer and President of XOMA, added, "We are excited by the potential of XOMA 052 to address a number of chronic diseases with major unmet medical needs, and look forward to evaluating options for its broader clinical development. This novel, high affinity antibody addresses a disease pathway where the pathogenic impact of the pathway and beneficial effect of intervention have been demonstrated in humans. Furthermore, successful designs for the clinical study of a variety of inflammatory diseases have been established and a proven regulatory pathway exists for these diseases."

About XOMA 052

XOMA 052 is a potent anti-inflammatory monoclonal antibody targeting IL-1 beta and is being developed as a modulator of cytokine imbalance in IL-1 mediated disease states. It is an IgG2 isotype, which reduces the possibility of antibody dependent cellular cytotoxicity. With its high binding affinity of 300 femtomolar and expected long circulating half-life, XOMA 052 may offer several advantages to patients, including less frequent dosing compared to approved treatments. XOMA 052 was developed by the company using its extensive antibody discovery capabilities, was humanized using XOMA's patented Human Engineering(tm) technology, and is fully owned by XOMA. XOMA's platform technologies and capabilities were used in the development of therapeutic antibodies that were approved for age-related macular degeneration and psoriasis and are currently marketed by Genentech, Inc.

About Interleukin-1 and Inflammatory Disease

IL-1 is a pro-inflammatory cytokine secreted by a number of cell types including monocytes and macrophages. The IL-1 gene family includes IL-1 beta, which is released from cells as part of an inflammatory reaction. IL-1 beta produces a range of biological effects, mainly through the induction of other pro-inflammatory mediators such as corticotrophin, platelet factor-4, prostaglandin E2 (PGE2), IL-6, and IL-8. IL-1 beta induces both local and systemic inflammatory effects through the activation of the IL-1 receptor found on almost all cell types. IL-1 beta is implicated in the pathogenesis of many disease states involving localized and systemic inflammation. Targeting this pathway and reducing the effects of IL-1 beta may provide clinical benefit in rheumatoid arthritis, systemic juvenile idiopathic arthritis, osteoarthritis, and other inflammatory diseases.

About Interleukin-1 and Type 2 Diabetes

There is evidence that blocking the IL-1 pathway has improved the control of blood glucose. In the presence of high blood glucose, IL-1 beta concentration in the pancreas increases. This increase in IL-1 beta is toxic to the insulin-producing pancreatic islet cells. Death of pancreatic islet cells reduces the production of insulin, contributing to a loss of control of blood glucose levels. Eventually this destructive cycle leads to Type 2 diabetic patients requiring insulin therapy to compensate for their inability to produce insulin. Blocking IL-1 beta may improve insulin production by breaking this cycle and preserving pancreatic islet cells.

About Type 2 Diabetes

Type 2 diabetes is a condition characterized by high blood glucose levels caused by either a lack of insulin or the body's inability to use insulin efficiently. Type 2 diabetes develops most often in middle-aged and older adults but can appear in young people. The Centers for Disease Control and Prevention estimate that approximately 20.8 million people in the U.S. had diabetes in 2005. Type 2 diabetes is the most common form of the disease, accounting for approximately 90 percent to 95 percent of all diagnosed cases. Type 2 diabetes can lead to serious complications and premature death. However, Type 2 diabetes can be prevented or delayed with improved control of glucose levels. For more information about Type 2 diabetes, visit www.cdc.gov/diabetes.

About XOMA

XOMA is a leader in the discovery, development and manufacture of therapeutic antibodies, with a therapeutic focus that includes cancer and immune diseases. XOMA has royalty interests in RAPTIVA(r) (efalizumab), a monoclonal antibody product marketed worldwide by Genentech, Inc. and Merck Serono S.A. to treat moderate-to-severe plaque psoriasis, and LUCENTIS(r) (ranibizumab injection), a monoclonal antibody product marketed worldwide by Genentech and Novartis AG to treat neovascular (wet) age-related macular degeneration.

The company has built a premier antibody discovery and development platform that includes access to seven of the leading commercially available antibody phage display libraries and XOMA's proprietary Human Engineering(tm) and bacterial cell expression (BCE) technologies. More than 45 companies have signed BCE licenses. XOMA's development collaborators include Lexicon Pharmaceuticals, Inc., Novartis, Schering-Plough Research Institute and Takeda Pharmaceutical Company Limited. With a fully integrated product development infrastructure, XOMA's product development capabilities extend from preclinical sciences to product launch. For more information, please visit the company's website at www.xoma.com.

Certain statements contained herein concerning the development of XOMA 052 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. These risks, including those related to 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.

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