



XOMA to Humanize Attenuon's Novel Anti-Cancer Antibody

*Applying Human Engineering™ Technology to Advance Antibody Targeting
Urokinase Plasminogen Activator System*

Berkeley and San Diego, CA – October 3, 2006 -- XOMA Ltd. (Nasdaq: XOMA) and Attenuon, LLC today announced an agreement for XOMA to utilize its Human Engineering™ (HE™) technology to humanize a monoclonal antibody targeting the urokinase plasminogen activator (uPA) system for the treatment of cancer. The uPA system plays a central role in multiple pathways and processes related to tumor growth, metastasis, and angiogenesis (the growth of new blood vessels that feed tumors). Attenuon will pay XOMA an up-front fee, development milestones, and royalties. Attenuon will retain all development and commercialization rights to the antibody. Additional financial terms were not disclosed.

“We believe that the uPA system is a promising target for inhibiting tumor growth, metastasis, and angiogenesis,” said Josh Distler, Attenuon’s chief operating officer. “We are very excited about this antibody based on the strong preclinical data we have obtained. Humanizing this antibody using XOMA’s HE™ technology is an important milestone in our effort to develop this potential new treatment option for cancer patients.”

“We are pleased to work with Attenuon to improve the medical and commercial potential of their antibody candidate through our HE™ technology.” said Jack Castello, XOMA’s chairman of the board, president, and chief executive officer. “We view this agreement as another step forward in establishing our HE™ technology as the basis of a new and potentially significant line of business for XOMA.”

Human Engineering™ Technology

HE™ technology is a clinically tested humanization technology intended for modifying non-human antibodies to make them suitable for medical use in humans. XOMA’s patented HE™ technology is distinct from other humanization techniques and is independent of CDR grafting. HE™ technology is based on the conserved structure-function relationships among antibodies and defines which amino acid residues in a non-human antibody variable region are candidates for substitution. XOMA’s deliverables under HE™ agreements generally include four HE™ antibodies provided in three months, that have preserved binding, structure, and function and are approximately 95% human.

About Attenuon

Attenuon is a San Diego-based clinical-stage biopharmaceutical company developing a new generation of cancer therapeutics. Attenuon's compounds – two of which are currently in Phase II clinical trials – are intended to target a broad range of tumors and the blood vessels that feed their growth without affecting healthy cells. These drug candidates have the potential to be effective against many types of cancer, produce few side effects, and be suitable for long-term use. For more information, please visit the company's website at www.attenuon.com.

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[®] (efalizumab), a monoclonal antibody product marketed worldwide (by Genentech, Inc. and Serono, SA) to treat moderate-to-severe plaque psoriasis, and LUCENTIS[™] (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[™] and bacterial cell expression (BCE) technologies. More than 45 companies have signed BCE licenses. XOMA's development collaborators include Lexicon Genetics, Inc., Novartis, and Schering-Plough Corporation. 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.

XOMA's Human Engineering[™] Program Disclosure Policy

XOMA has a policy of keeping its investors informed of the overall progress of its Human Engineering[™] program, regardless of the amount of current or anticipated revenues expected to be generated by a particular Human Engineering[™] agreement. In keeping with this policy, XOMA generally announces each new Human Engineering[™] agreement, without regard to the overall significance to XOMA of any particular agreement, by giving the name of the other party and, as appropriate, any other distinguishing features of the new agreement. Additional disclosure regarding the provisions of a particular agreement will be provided in those instances where XOMA determines the agreement is material to its business.

Certain statements contained herein concerning 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, the development and commercialization of the products mentioned above are not under XOMA's control; the products mentioned above may not prove safe or efficacious or receive regulatory approval; and fees and royalties under XOMA's Human Engineering[™] agreements may never become a significant source of revenue for XOMA. These and other risks, including those related

to the ability of collaborators, licensees and other third parties to meet their obligations; market demand for products; scale up and marketing capabilities; competition; 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); the manufacture of antibodies under cGMP requirements; 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; 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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