



February 18, 2004

Xencor Announces Protein Optimization Collaboration with Lilly

Protein Design Automation platform enables Medicinal Chemistry for Proteins™

Monrovia, CA – February 18, 2004 – Xencor today announced a collaboration with Eli Lilly and Company to optimize the physical and biochemical properties of a protein therapeutic. Xencor will use its proprietary Protein Design Automation® (PDA) technology to create variants of the therapeutic protein that meet specific criteria for clinical development. Lilly will have the option to develop the resulting protein therapeutic candidates. “This collaboration is an exciting opportunity to exploit our unique approach to controlling the physical and biochemical properties of a protein,” said Bassil Dahiyat, Chief Scientific Officer of Xencor. “The PDA platform is a structure-based and systematic approach to optimize protein sequences for multiple properties that can lead to improvement in biological activity. As a result, we can now treat natural biotherapeutics as lead compounds and perform Medicinal Chemistry for Proteins™.

Harry Stylli, President and CEO of Xencor said, “Xencor is proud to work with Lilly on this focused but challenging project. This collaboration exemplifies Xencor’s world class potential to resolve complex therapeutic challenges and create new intellectual property in the process.”

About Protein Design Automation Technology

PDA technology combines high performance computing with proprietary molecular biology processes and assays to create very broad protein diversity with exquisite control and efficiency. The technology takes advantage of the information embedded in protein structure to optimize key protein properties, such as binding affinity and selectivity, stability, and expression level, targeted to yield therapeutic proteins with enhanced safety and efficacy in the clinic. This process also creates new intellectual property, continually broadening Xencor’s patent portfolio by generating sets of novel protein sequences that are distinct from naturally occurring proteins.

About Xencor

Xencor is a pre-clinical stage company that discovers and develops protein therapeutics using its proprietary rational protein design platform. Xencor’s platform applies high performance computing and advanced molecular biology to rapidly discover drug candidates with novel mechanisms and improved safety and efficacy. Xencor is a privately held biopharmaceutical company located in Monrovia, CA. Additional information is available at www.xencor.com.