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Xencor and Genentech to Collaborate to Develop Next-Generation Antibody Therapeutics

Genentech licenses Xencor's XmAb™ technology for CD20 and Her2, key cancer and autoimmune targets

Monrovia, CA—December 1, 2004 – Xencor today announced a license and collaboration agreement with Genentech, Inc. (NYSE: DNA) to create next-generation therapeutic antibodies for cancer and autoimmune diseases. Under the terms of the agreement, Xencor will grant to Genentech an exclusive, worldwide license to use Xencor's XmAb technology to develop and commercialize products directed against two clinically and commercially validated antibody targets, CD20 and Her2, and a third undisclosed antigen. Rituxan (rituximab) targets CD20 and is marketed by Genentech and Biogen-Idec in the United States, Zenyaku in Japan and Roche in the rest of the world. Herceptin (trastuzumab), which is marketed by Genentech in the United States and Roche in the rest of the world, targets the Her2 protein. The XmAb technology consists of a suite of proprietary engineered antibody Fc domains that can be incorporated into therapeutic candidates to potentially recruit the immune system's effector functions for the treatment of disease.

Xencor will receive an upfront fee of $5 million and annual licensing fees. In addition, Xencor is eligible to receive pre-clinical, clinical and regulatory milestone payments for each collaboration target and royalties on sales of licensed products. No additional financial terms were disclosed.

"We are very excited to have Genentech as a partner using our XmAb technology to develop next generation antibody therapeutics against two such well-validated targets," said Harry Stylli, Ph.D., President and CEO of Xencor. "Modulation of the immune system's effector functions holds the potential for improving efficacy and for benefiting a larger patient population. As a world leader in the development and commercialization of antibody therapeutics, Genentech has extensive experience in rapidly moving novel drug candidates to the clinic and ultimately the market to benefit patients. Also, by licensing our proprietary engineered Fc domains for use with these targets, this collaboration advances the licensing arm of our dual business strategy that also includes retaining rights for the internal development of other, select targets."

About XmAb™ Technology

Xencor has developed a suite of Fc variants to improve the therapeutic properties of monoclonal antibodies. Xencor's Fc variants can be inserted into therapeutic candidates against any target antigen and may improve one or more important effector functions, including enhanced antibody mediated tumor cell killing, improved half-life, and improved structural stability. XmAb antibodies are produced using conventional expression and manufacturing processes. Xencor has also restored effector functions in aglycosylated antibodies, thereby creating an opportunity to use alternative expression systems with the potential of significantly lower cost of goods.

About Xencor

Xencor, Inc. is a privately held biopharmaceutical company focused on the discovery and development of protein therapeutics for the treatment of cancer, inflammation and autoimmune disorders. Xencor applies its proprietary Protein Design Automation® technology to rapidly discover and develop novel proteins and next generation versions of existing biotherapeutics with improved safety and efficacy by optimizing such properties as binding affinity, specificity, stability, expression level and potency. Xencor is developing antibodies with improved immune effector function and half-life, which are humanized and affinity matured using its proprietary technology. Xencor is also developing proprietary inhibitors of Tumor Necrosis Factor (TNF), a key target in arthritis and other rheumatic disorders. Xencor has collaborations with Eli Lilly and Company and Protein Design Labs. Additional information is available at www.xencor.com.