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Xencor Licenses Protein Variants to Lilly

Monrovia, CA – April 13, 2005 – Xencor today announced that Eli Lilly and Company has exercised its option to develop one or more therapeutic proteins created by Xencor under its collaboration with Lilly. Xencor used its proprietary Protein Design Automation® (PDA®) technology to optimize the physical and biochemical properties of a therapeutic protein. In less than 12 months, Xencor created variants of the protein that satisfied specific criteria established prior to the initiation of the project.

Under the terms of the agreement, Xencor granted to Lilly an exclusive, worldwide license to develop and commercialize certain therapeutic proteins derived from the collaboration. Xencor will receive an upfront license fee and is eligible to receive milestone payments in the event Lilly advances one or more candidates into development, as well as royalties on sales of licensed products. No additional financial terms were disclosed.

“We are delighted that Lilly has licensed the protein variants and associated technology for further development,” said Bassil Dahiyat, President and CEO of Xencor. “In less than a year, we created a suite of protein variants that greatly improved the physical properties of this therapeutic protein, including its expression level, thereby enabling the further development of this program. The license grant to Lilly furthers our strategy to build a broad pipeline of optimized protein drugs internally and with strategic partners.”

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. This technology takes advantage of the information embedded in protein structure to optimize key protein properties, such as binding affinity, selectivity, stability and expression level, which are 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, 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 Genentech, Inc., F. Hoffmann-La Roche, Ltd., Chugai Pharmaceutical Co., Ltd. and Protein Design Labs. Additional information is available at www.xencor.com.