



XOMA Reports First Quarter 2019 Financial Results and Operating Highlights

May 6, 2019

*Acquired rights to potential milestone and royalty payments associated with five hematology assets
Received \$5.5 million milestone payment
Added Barbara Kosacz to XOMA's Board of Directors
Current cash balance sufficient to fund operations for multiple years*

EMERYVILLE, Calif., May 06, 2019 (GLOBE NEWSWIRE) -- XOMA Corporation (Nasdaq: XOMA) announced its first quarter 2019 financial results and business highlights.

"We continued to execute on our royalty-aggregator business model in 2019. In early April, we announced we are acquiring the potential royalty rights associated with five hematology assets, three of which are being developed under a collaboration with Bayer, and a percentage of the future milestone payments associated with the assets," stated Jim Neal, Chief Executive Officer of XOMA. "Milestone payments help fuel XOMA's model, as they are a means of adding non-dilutive capital that can fund our royalty asset acquisitions. As I have articulated in the past, we maintain a lean infrastructure to allow our milestones and royalties to have a meaningful impact on our financial results. This quarter's \$5.5 million milestone payment had a significant positive impact on XOMA's financial statements."

Business Highlights

XOMA continued making significant progress during the first quarter of 2019 as it positions itself for long-term growth.

- Agreed to acquire the rights to potential royalty payments and a portion of the potential milestone payments associated with five hematology assets from Aronora, Inc., three of which are anti-thrombotic candidates covered by a collaboration with Bayer, a global leader in hematology therapeutics.
- Received a \$5.5 million milestone payment from Rezolute, Inc., related to XOMA 358 (now RZ358), and negotiated to receive an additional \$8.5 million in a series of quarterly payments that will begin to be paid later this year.
- Strengthened the Board of Directors.

First Quarter 2019 Updates About Partnered Assets in Development

Novartis announced gevokizumab will enter oncology clinical studies. "There was a great deal of activity on XOMA-partnered assets in the first quarter of 2019, including the posting of Novartis' first clinical study for gevokizumab in oncology. Given all that has happened with gevokizumab over the years, seeing that study posted on ClinicalTrials.gov was a proud moment for everyone at XOMA," concluded Mr. Neal.

Novartis also continued to expand the iscalimab (also known as CFZ533) Phase 2 development program and posted two additional Phase 2 trials on ClinicalTrials.gov during the first quarter. The anti-CD40 antibody is being studied in six separate indications across ten ongoing or completed trials.

Sesen Bio, Inc., reported positive preliminary efficacy data for the primary endpoint of its ongoing Phase 3 registration trial, the VISTA Trial, of Vicinium[®], a locally-administered fusion protein, for the treatment of patients with high-grade non-muscle invasive bladder cancer who have been previously treated with bacillus Calmette-Guérin (BCG) and deemed BCG-unresponsive. The company reported it anticipates complete 12-month efficacy data will be reported at a medical meeting in mid-2019.

AVEO Oncology announced positive results from the investigator-initiated Phase 1b Ficlaturzumab-Cytarabine Trial In Patients With Relapsed And Refractory Acute Myeloid Leukemia study. The study results were presented in a poster session at the 2019 AACR. Of 12 patients who received ficlaturzumab and cytarabine at the maximally tolerated dose, six achieved a complete response.

Financial Results

XOMA recorded total revenues of \$8.1 million for the first quarter of 2019, compared to \$0.5 million for the first quarter of 2018. The increase for the three months ended March 31, 2019, as compared to the same period in 2018, was primarily due to \$8.0 million of license fee revenue recognized under our license agreement with Rezolute in the first quarter of 2019, of which \$5.5 million was received in cash during the period.

Research and development expenses were \$0.3 million for the first quarter of 2019, compared to \$0.4 million for the first quarter of 2018. The decrease of \$0.1 million for the three months ended March 31, 2019, compared to the same period in 2018, was primarily due to a \$0.1 million decrease in salaries and related expenses.

General and administrative expenses were \$5.9 million for the first quarter of 2019, compared to \$5.2 million for the first quarter of 2018. The increase of \$0.7 million for the three months ended March 31, 2019, as compared to the same period of 2018, was primarily due to increases of \$0.4 million in stock-based compensation, \$0.2 million in consulting services, and \$0.1 million in salaries and related expenses.

In the first quarter of 2019, XOMA recorded \$0.4 million in total interest expense, as compared to \$0.2 million in the corresponding period of 2018. The increase in interest expense compared with 2018 is primarily due to the outstanding Silicon Valley Bank (SVB) loan balance. On May 7, 2018, the Company executed a loan agreement with SVB, and in September 2018, XOMA borrowed \$7.5 million.

For the quarters ended March 31, 2019 and 2018, XOMA recorded other income of \$1.7 million and \$1.5 million, respectively. During the three

months ended March 31, 2019, the fair value of the long-term equity securities held by XOMA increased by \$0.7 million. As of March 31, 2019, the Company was party to four sublease agreements, compared with only one sublease agreement for the same period in 2018, resulting in \$0.7 million in sublease income during the first quarter of 2019 and \$0.4 million of sublease income in the corresponding period of 2018. In the first quarter of 2018, XOMA recognized \$1.0 million of other income under the agreement with Ology Bioservices related to the disposition of XOMA's biodefense business in March 2016; no further payments are due.

Net income for the first quarter of 2019 was \$3.2 million, compared to net loss of \$3.8 million for the first quarter of 2018. The net income for the first quarter of 2019 was due primarily to the increase in total revenues as previously discussed.

On March 31, 2019, XOMA had cash and cash equivalents of \$48.4 million. The Company ended December 31, 2018, with cash and cash equivalents of \$45.8 million. The Company's current cash and cash equivalents are expected to be sufficient to fund its operations for multiple years.

About XOMA Corporation

XOMA has built a significant portfolio of products that are licensed to and being developed by other biotechnology and pharmaceutical companies. The Company's portfolio of partner-funded programs spans multiple stages of the drug development process and across various therapeutic areas. Many of these licenses are the result of XOMA's pioneering efforts in the discovery and development of antibody therapeutics. The Company's royalty-aggregator business model includes acquiring additional licenses to programs with third-party funding. For more information, visit www.xoma.com.

Forward-Looking Statements/Explanatory Notes

Certain statements contained in this press release 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, including statements regarding the potential of XOMA's portfolio of partnered programs and licensed technologies generating substantial milestone and royalty proceeds over time, creating additional value for the stockholders and cash sufficiency forecast. These statements are based on assumptions that may not prove accurate, and actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry, including those related to the fact that our product candidates subject to out-license agreements are still being developed, and our licensees may require substantial funds to continue development which may not be available; we do not know whether there will be, or will continue to be, a viable market for the products in which we have an ownership or royalty interest; if the therapeutic product candidates to which we have a royalty interest do not receive regulatory approval, our third-party licensees will not be able to market them. Other potential risks to XOMA meeting these expectations are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects. Any forward-looking statement in this press release represents XOMA's views only as of the date of this press release and should not be relied upon as representing its views as of any subsequent date. XOMA disclaims any obligation to update any forward-looking statement, except as required by applicable law.

EXPLANATORY NOTE: Any references to "portfolio" in this press release refer strictly to milestone and/or royalty rights associated with a basket of drug products in development. Any references to "assets" in this press release refer strictly to milestone and/or royalty rights associated with individual drug products in development.

XOMA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Revenue from contracts with customers	\$ 8,026	\$ 401
Revenue recognized under units-of-revenue method	105	62
Total revenues	<u>8,131</u>	<u>463</u>
Operating expenses:		
Research and development	256	432
General and administrative	5,939	5,168
Total operating expenses	<u>6,195</u>	<u>5,600</u>
Income (loss) from operations	1,936	(5,137)
Other income (expense), net:		
Interest expense	(429)	(170)
Other income, net	1,726	1,501
Net income (loss) and comprehensive income (loss)	<u>\$ 3,233</u>	<u>\$ (3,806)</u>
Net income (loss) and comprehensive income (loss) available to common stockholders, basic	<u>\$ 1,881</u>	<u>\$ (3,806)</u>
Net income (loss) and comprehensive income (loss) available to common stockholders, diluted	<u>\$ 1,935</u>	<u>\$ (3,806)</u>

Basic net income (loss) per share available to common stockholders	\$ 0.22	\$ (0.46)
Diluted net income (loss) per share available to common stockholders	\$ 0.21	\$ (0.46)
Weighted average shares used in computing basic net income (loss) per share available to common stockholders	8,706	8,313
Weighted average shares used in computing diluted net income (loss) per share available to common stockholders	9,324	8,313

XOMA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except share and per share amounts)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	\$ 48,436	\$ 45,780
Trade and other receivables	2,755	1,468
Prepaid expenses and other current assets	268	378
Total current assets	51,459	47,626
Property and equipment, net	53	59
Operating lease right-of-use assets	6,906	—
Long-term royalty receivables	15,375	15,000
Long-term equity securities	1,107	392
Other assets	834	708
Total assets	\$ 75,734	\$ 63,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 987	\$ 1,244
Accrued and other liabilities	798	2,382
Operating lease liabilities	2,242	—
Unearned revenue recognized under units-of-revenue method	595	490
Contract liabilities	798	798
Current portion of long-term debt	1,729	789
Total current liabilities	7,149	5,703
Unearned revenue recognized under units-of-revenue method – long-term	16,807	17,017
Long-term debt	20,854	21,690
Long-term operating lease liabilities	6,406	—
Other liabilities – long-term	489	590
Total liabilities	51,705	45,000
Stockholders' equity:		
Convertible preferred stock, \$0.05 par value, 1,000,000 shares authorized, 6,256 shares issued and outstanding at March 31, 2019 and December 31, 2018	—	—
Common stock, \$0.0075 par value, 277,333,332 shares authorized, 8,724,320 and 8,690,723 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	65	65
Additional paid-in capital	1,213,133	1,211,122
Accumulated deficit	(1,189,169)	(1,192,402)
Total stockholders' equity	24,029	18,785

Total liabilities and stockholders' equity

\$ 75,734 \$ 63,785

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