



AVEO and XOMA Enter Into Supply Agreement for AVEO's Novel Anti-HGF Antibody

Contract Follows Successful Human Engineering™ of AV-299

Berkeley, CA and Cambridge, MA -- September 28, 2006 – XOMA Ltd. (Nasdaq: XOMA) and AVEO Pharmaceuticals, Inc. (AVEO) today announced a \$6 million agreement under which XOMA will manufacture and supply AV-299, AVEO's novel anti-HGF antibody, in support of early clinical trials. The companies also announced that XOMA has successfully completed the Human Engineering™ (HE™) of AV-299. This agreement further strengthens the collaboration between the companies that began with the humanization of AV-299.

Under the supply agreement, XOMA will create AV-299 production cell lines, and conduct process and assay development, as well as cGMP manufacturing activities in support of AVEO's IND filing and early clinical trials.

On April 27, 2006, XOMA and AVEO announced an agreement under which XOMA would use its HE™ technology to humanize AV-299. XOMA created four Human Engineered™ versions of the original AV-299, all of which met design goals and were delivered ahead of schedule. From these four versions, AVEO selected one as its lead development candidate. For work conducted and licenses granted, XOMA received an up-front license fee and is eligible for development milestones and royalty payments on sales of AV-299. AVEO retains all development and commercialization rights to AV-299.

“The Human Engineered™ AV-299 product candidate has fully retained its specificity and functionality *in vitro* and *in vivo*,” said Tuan Ha-Ngoc, AVEO's President and Chief Executive Officer. “Accessing XOMA's biologicals manufacturing capabilities allows AVEO to continue its accelerated product development timelines for the AV-299 program, increasing the potential for its clinical and commercial success.”

“This success is another demonstration of the robustness and speed advantages of XOMA's HE™ technology,” said Jack Castello, Chairman of the Board, President, and Chief Executive Officer of XOMA. “We expect this to be the first of many HE™ technology agreements that evolve into broader relationships and allow us to leverage XOMA's innovations, expertise and antibody development infrastructure.”

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AV-299 Program

AV-299 is a highly potent antagonist of hepatocyte growth factor/scatter factor (HGF/SF), which has demonstrated excellent efficacy in preclinical models of human cancer. The HGF/c-Met pathway is frequently deregulated in different types of human cancers and is thought to play an important role in regulating tumor growth, invasion and metastasis. Utilizing its proprietary technology platform, AVEO has developed substantial evidence of the importance of the HGF pathway in tumor maintenance. The diverse biological roles of the HGF/c-Met pathway make the selection of patients most likely to respond to anti-HGF therapies especially difficult. To guide the clinical development of AV-299, AVEO is using its proprietary preclinical models of human cancer to identify specific populations of tumors in which the HGF/c-Met pathway plays a critical role in tumor maintenance, as opposed to those in which the pathway is activated but not essential. AVEO's Human Response Prediction™ platform provides AVEO with unique insight into the biology of anti-HGF therapies, and uniquely positions it to move AV-299 forward into clinical development.

AVEO's AV-299 program exemplifies the progress AVEO has made in discovering drugs that target functionally-relevant tumor maintenance genes identified and validated by AVEO in its proprietary *in vivo* cancer models.

Human Engineering™ Technology

HE™ technology is a patented, clinically tested humanization technology for modifying non-human antibodies to make them suitable for medical purposes in humans. HE™ technology is distinct from other humanization techniques and is independent of CDR grafting. XOMA's 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. The result is a 93%-95% human antibody generated in approximately 3 months with preserved antigen binding, structure, and function.

About AVEO

AVEO is a private biopharmaceutical company focused on the discovery and development of novel cancer therapeutics. The Company utilizes its proprietary, genetically-defined cancer models for the identification and validation of novel cancer targets, and has begun to build an impressive portfolio of drug discovery and development programs around these high-value targets. AVEO's most advanced clinical program, AV-412, is expected to enter clinical trials in 2006. AVEO also leverages its Human Response Prediction™ platform to allow for the identification of genetic profiles that correspond with patient responsiveness. AVEO is located in Cambridge, Massachusetts. For more information, please visit the company's website at www.aveopharma.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.

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. These risks, including those related to 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); 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; the ability of collaborators, licensees and other third parties to meet their obligations; market demand for products; scale up and marketing capabilities; competition; 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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