MUNICH, GERMANY and BERKELEY, CALIFORNIA, USA - February 25, 2002

MorphoSys AG (Neuer Markt: MOR) and XOMA Ltd. (Nasdaq: XOMA) announced today they have entered into cross-licensing agreements for antibody-related technologies. Under the agreements, MorphoSys and its partners receive a license to use the XOMA antibody expression technology for developing antibody products (including Fab and scFv formats) using MorphoSys’ phage display-based HuCAL® antibody library. MorphoSys also receives a license for the production of antibodies (including Fab and scFv formats) under the XOMA patents. XOMA will receive license payments from MorphoSys in addition to a license to use the MorphoSys HuCAL® GOLD antibody library for its target discovery and research programs.

The agreements also provide for a release of MorphoSys and its collaborators from any past activities using MorphoSys technology to the extent they also used XOMA’s antibody expression technology, and allows MorphoSys to use the XOMA technology in combination with its own technology in any future collaborations. XOMA will receive the right to use the HuCAL® GOLD antibody library for target research and discovery purposes for five years, with an option to develop antibodies into therapeutics. Should any therapeutic antibodies be identified and developed by XOMA using the MorphoSys HuCAL® GOLD library, the contract provides for future license, milestone and royalty payments be made by XOMA to MorphoSys.

“Our license to the XOMA technology underscores the respect we attach to intellectual property rights as they apply to our technologies and speaks to our commitment to becoming a product company. Additionally, we are very pleased that XOMA has chosen the HuCAL® GOLD technology over other antibody phage display libraries for their target discovery and therapeutic antibody applications,” commented Daniel L. Menichella, President of MorphoSys USA and Senior Vice President of Corporate Development.

“We are very pleased to enter into this antibody related licensing arrangement with MorphoSys, a company with excellent capabilities in the important field of antibody discovery and selection,” said Jack Castello, Chairman, President and Chief Executive Officer, XOMA Ltd. “Our license to MorphoSys validates the fundamental position our antibody expression technology holds in the phage display arena. We are also pleased to have access to the MorphoSys HuCAL® GOLD antibody library, which will expand our own target discovery and therapeutic antibody development capabilities.”
About MorphoSys:
MorphoSys develops and applies innovative technologies for the production of synthetic antibodies, which accelerate drug discovery and target characterization. Founded in 1992, the Company's proprietary Human Combinatorial Antibody Library (HuCAL™) technology is used by researchers worldwide for human antibody generation. The Company currently has licensing and research collaborations with Bayer (Berkeley, California/USA), Biogen Inc. (Cambridge, Massachusetts/USA), Bristol-Myers Squibb (New York, N.Y./USA), Centocor Inc. (Malvern, Pennsylvania/USA), Eos Biotechnology Inc. (San Francisco, California/USA), GPC Biotech AG (Munich/Germany), Hoffmann-La Roche AG (Basel/Switzerland), ImmunoGen Inc. (Cambridge, Massachusetts/USA), Oridis Biomed GmbH (Graz/Austria), ProChon Biotech Ltd. (Rehovot/Israel) and Schering AG (Berlin/Germany). For further information please visit the corporate website at: http://www.morphosys.com/.

About XOMA and its Antibody Expression Technology:
Bacterial antibody expression is an enabling technology used to discover and screen, as well as develop and manufacture, recombinant antibodies for commercial purposes. Bacterial antibody expression is also a key technology used in multiple systems for high-throughput screening of antibody domains. Expression of antibodies by phage display technology, for example, depends upon the expression and secretion of antibody domains from bacteria as properly folded, functional proteins.

XOMA scientists were the first to demonstrate the secretion of antibody domains directly from bacterial cells as fully functional, properly folded molecules. XOMA has received nine U.S. patents to date relating to aspects of its bacterial cell expression system, including six patents that broadly cover the secretion of functional immunoglobulins from bacteria, including antibody fragments such as Fab and single-chain antibodies. Corresponding foreign patents have also been granted. Therefore, access to XOMA's patent estate is necessary for the practice of antibody phage display and other antibody screening applications.

XOMA develops and manufactures innovative biopharmaceuticals for disease targets that include cancer, immunological and inflammatory disorders, and infectious diseases. XOMA's programs include collaborations with Genentech, Inc. on the Xanelim™ antibody for psoriasis (Phase III) and other indications; with Baxter Healthcare Corporation to develop NEUPREX® (rBPI-21) for Crohn's disease (Phase II) and other indications; with Millennium Pharmaceuticals, Inc. on two biotherapeutic agents, CAB-2 and LDP-01, for certain vascular inflammation indications (preclinical); and with Onyx Pharmaceuticals, Inc. to develop and manufacture its Onyx-015 product for various cancers (Phase II and III). Earlier-stage development programs include compounds to treat cancer, retinopathies, autoimmune diseases and infections. For more information about XOMA's pipeline and activities, please visit XOMA's web site at www.xoma.com/.

As to MorphoSys
Statements included in this press release which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbour provided by Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words including "anticipates", "believes", "intends", "estimates", "expects" and similar expressions. The company cautions readers that forward-looking statements, including without limitation those relating to the company's future operations and business prospects, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that may affect future operations and business prospects include, but are not limited to, clinical and scientific results and developments concerning corporate collaborations and the company's proprietary rights and other factors described in the prospectus relating to the company's recent public offering.
As to XOMA

Statements made in this news release related to collaborative arrangements and development capabilities, 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 changes in the status of existing collaborative relationships, the availability of future collaborative relationships, the ability of collaborators and other partners to meet their obligations, the timing or results of pending or future clinical trials, market demand for products, actions by the Food and Drug Administration or the US Patent and Trademark Office, and uncertainties regarding the status of biotechnology patents, are discussed in XOMA’s most recent annual report on Form 10-K and in other SEC filings. Consider such risks carefully in evaluating XOMA’s prospects.

For more information, please contact MorphoSys:

Dave Lemus  
Chief Financial Officer  
Tel: +49 (0) 89 / 899 27-439  
Fax: +49 (0) 89 / 899 27-5309  
Investors@morphosys.com

Dr. Claudia Gutjahr-Löser  
Manager Corporate Communications  
Tel: +49 (0) 89 / 899 27-122  
Fax: +49 (0) 89 / 899 27-5122  
Investors@morphosys.com

For more information, please contact XOMA:

Peter B. Davis, Chief Financial Officer  
Lisa Skibsted, Corporate Communications  
Tel: +1 510 644-1170