December 5, 2013

KaloBios Receives Notice of Allowance for Key Composition of Matter Patent Covering KBOO4

- KB004, experimental anti-EphA3 monoclonal antibody therapeutic, in clinical development against hematologic cancers

SOUTH SAN FRANCISCO, Calif., Dec. 5, 2013 /PRNewswire/ -- KaloBios Pharmaceuticals, Inc. (Nasdaq: KBIO), today announced that the U.S. Patent and Trademark Office has issued a Notice of Allowance for a composition of matter patent covering certain antibodies targeting EphA3, including KaloBios' experimental anti-cancer monoclonal antibody (mAb), KB004. The allowed claims relate to high-affinity Humaneered® antibodies to the EphA3 receptor.

(Logo: https://photos.prnewswire.com/prnh/20130225/MM66380LOGO)

Geoffrey Yarranton, Ph.D., KaloBios' Chief Scientific Officer and co-inventor, commented, "EphA3 is a tyrosine kinase receptor that is expressed on hematologic cancers and solid tumors, including tumor stem cells, but not on normal blood or bone marrow stem cells. Targeting this antibody may therefore offer a way to selectively treat patients with hematologic malignancies who have become resistant or otherwise intolerant of standard chemotherapies."

KaloBios is currently conducting a Phase 1 study of KB004 in hematologic malignancies and will be presenting interim data from that study at the 55th American Society of Hematology Annual Meeting and Exhibition on December 9, 2013. The Phase 1 study of KB004 is a multi-center, dose-escalation study evaluating KB004 in patients with advanced hematologic malignancies. KaloBios plans to initiate the Phase 2 portion of the study in acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS) patients by the end of the year.

"This Notice of Allowance is a validation of the uniqueness of KB004 and our Humaneered® technology incorporated into it. This is the third significant composition of matter patent for our proprietary product candidates, following U.S. patents granted for KB001-A and KB003, all expiring in 2028 and beyond," said Don Joseph, KaloBios' Chief Legal Officer.

About KaloBios

KaloBios Pharmaceuticals, Inc. is developing a portfolio of proprietary, patient-targeted, first-in-class monoclonal antibodies designed to treat severe life-threatening or debilitating

diseases for which there is an unmet medical need, with a clinical focus on severe respiratory diseases and cancer.

Currently, KaloBios has three drug development programs:

- KB003, an anti-GM-CSF mAb with potential to treat inflammatory diseases, being developed for the treatment of severe asthma. Enrollment of 160 patients has been completed in a Phase 2 study in the United States, Europe and Australia.
- KB001-A, an anti-PcrV mAb fragment, partnered exclusively with Sanofi Pasteur and is being developed for the prevention and treatment of *Pseudomonas aeruginosa* (*Pa)* infection. KaloBios has retained rights for the cystic fibrosis (CF) indication and is conducting a 180 patient Phase 2 study in CF subjects with chronic *Pa* lung infection in the United States. KaloBios has received Orphan Drug designation from both the U.S. FDA and the European Medicines Agency for KB001-A for the treatment of *Pa* lung infection in CF patients. Sanofi is pursuing a ventilator-associated pneumonia prevention indication in the intensive care setting, an indication which has received U.S. FDA Fast Track Designation.
- KB004, an anti-EphA3 mAb, has potential in treating hematologic malignancies and solid tumors. KaloBios is currently testing this drug in a Phase 1 study in subjects with hematologic malignancies.

All of the company's antibodies were generated using its proprietary Humaneered® technology, a method that converts nonhuman antibodies (typically mouse) into recombinant antibodies that have a high binding affinity to their target and are designed for chronic therapeutic use. The company believes that antibodies produced using its Humaneered® technology offer important clinical and economic advantages over antibodies generated by other methods in terms of high binding affinity, high manufacturing yields, and minimal to no immunogenicity (inappropriate immune response) upon repeat administration in humans.

For more information on KaloBios Pharmaceuticals, please visit our web site at http://www.kalobios.com.

Forward Looking Statements

This release contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including: the statements under the heading "Anticipated Upcoming Milestones"; and statements regarding the company's clinical development of KB001-A, KB003 and KB004. Forward-looking statements reflect management's current knowledge, assumptions, judgment and expectations regarding future performance or events. Although management believes that the expectations reflected in such statements are reasonable, they give no assurance that such expectations will prove to be correct and you should be aware that actual results could differ materially from those contained in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties including, but not limited to, the company's limited cash reserves and its ability to obtain additional capital on acceptable terms, or at all, including the additional capital which will be necessary to complete the clinical trials that the company has initiated or plans to initiate; the

company's dependence on Sanofi Pasteur for the development and commercialization of KB001-A; the company's ability to successfully complete further development of its programs; the uncertainties inherent in clinical testing; the timing, cost and uncertainty of obtaining regulatory approvals; the company's ability to protect the company's intellectual property; competition; changes in the regulatory landscape or the imposition of regulations that affect the company's products; and other factors listed under "Risk Factors" in the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2013, the quarterly reports on Form 10-Q filed on May 14, August 19, and November 12, 2013, and the company's other filings with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this release. The company has no obligation, and expressly disclaims any obligation to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise.

For more information, visit http://www.kalobios.com.

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