

Changing the Way Cancer is Treated[®]



Accounting for Business Combinations – Proteolix, Inc. Acquisition

February 1, 2010

NASDAQ:ONXX

FORWARD LOOKING STATEMENT

This presentation contains "forward-looking statements" of Onyx Pharmaceuticals, Inc., or Onyx, within the meaning of the federal securities laws. These forward-looking statements include, without limitation, statements regarding the anticipated accounting treatment of the acquisition of Proteolix, Inc. by Onyx and its impact. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those anticipated, including, but not limited to, risks and uncertainties related to: periodic impairment reviews of acquired in-process research and development and other uncertainties related to the anticipated accounting treatment and the anticipated benefits of the acquisition of Proteolix. Reference should be made to Onyx's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission, under the heading "Risk Factors" for a more detailed description of these and other risks, as well as the company's subsequent quarterly reports on Form 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this release. Onyx undertakes no obligation to update publicly any forward-looking statements to reflect new information, events, or circumstances after the date of this release except as required by law.

ACCOUNTING FOR BUSINESS COMBINATIONS IN ACCORDANCE WITH U.S. GAAP

1. On November 16, 2009, Onyx Pharmaceuticals, Inc., or “Onyx,” completed the acquisition of Proteolix, Inc. The acquisition included a cash payment of \$276 million and up to \$575 million in future payments contingent on the achievement of certain development milestone and regulatory approvals for carfilzomib in the U.S. and Europe.
2. U.S. GAAP in accordance with Accounting Standards Codification (“ASC”) Topic 805, formerly known as *Statement of Financial Accounting Standards 141 (revised 2007) Business Combinations (“SFAS 141R”)*, requires that all acquired assets and liabilities be adjusted to fair value as of the date of acquisition for transactions with a closing date of on or after January 1, 2009. Therefore, Onyx is accounting for its acquisition of Proteolix in accordance with ASC Topic 805.
3. Onyx’s financial statements will include the following new line items:
 - A. Acquired in-process research & development (“IPR&D”)**
 - i. Represents the fair value assigned to the acquired compounds on date of acquisition and is recorded as an intangible asset with an indefinite life.
 - ii. Acquired IPR&D is subject to periodic impairment reviews, with impairments, if any, expensed to the P&L.
 - iii. R&D expenditures subsequent to the acquisition are expensed to the P&L.
 - iv. Upon future approval of a product, its useful life will be determined and the associated intangible asset will be amortized over its useful life.
 - B. Current and non-current contingent consideration**
 - i. Represents the estimated fair value of the future milestone payments, determined as of the acquisition date
 - ii. Future increases in the value of the liability, for example, triggered by clinical trial results, would be expensed to the P&L
 - iii. Liability classification requires re-measurements to fair value with any changes flowing through the P&L for periodic reporting.

ACCOUNTING FOR BUSINESS COMBINATIONS IN ACCORDANCE WITH U.S. GAAP

3. Onyx's financial statements will include the following new line items (cont'd):
 - C. Deferred tax liability**
 - i. Represents the tax effect of the acquisition under U.S. GAAP.
 - D. Goodwill**
 - i. Represents the difference between the consideration attributable to the transaction and the fair value assigned to the identified net assets.
 - ii. Goodwill is recorded as an indefinite lived intangible asset and is not amortized.
 - iii. Goodwill is subject to periodic impairment reviews. Impairments, if any, would be charged to the P&L as expense.
4. Transaction and restructuring costs related to the acquisition are expensed as incurred.
5. Acquisition accounting could potentially result in volatile expenses under GAAP as clinical trial results or changes in market conditions could affect the value of acquired IPR&D, contingent consideration payments and goodwill.

NOTE: *On February 1, 2010, Onyx filed unaudited pro forma financial statements as of September 30, 2009 showing the impact of the acquisition on the combined financial statements of Onyx and Proteolix as required by the SEC. Refer to the following slides for a summary.*

PRO FORMA BALANCE SHEET

Note: The unaudited pro forma condensed combined balance sheet is for illustrative purposes only and is derived from the unaudited pro forma condensed combined balance sheet filed with the SEC on February 1, 2010 on Form 8-K/A.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2009

(in thousands)

ASSETS

Total current assets	\$	646,180
Marketable securities, non-current		38,410
Property and equipment, net		7,741
Goodwill (1)		184,485
Intangible asset - in process research & development (2)		438,800
Other assets		9,090
Total assets	\$	1,324,706

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Other current liabilities	\$	69,612
Liability for contingent consideration, current (3)		40,000
Total current liabilities		109,612
Liability for contingent consideration, non-current (3)		159,000
Convertible senior notes due 2016		141,559
Deferred tax liability (4)		157,090
Notes payable, non-current		3,159
Accrued property lease liability		4,682
Deferred rent and lease incentives		986
Total stockholders' equity:		748,618
Total liabilities and stockholders' equity	\$	1,324,706

(1) Goodwill = Total consideration – fair value of net assets acquired

(2) Intangible Asset In-Process Research & Development (IPR&D) = Fair value assigned to the compounds acquired from Proteolix

(3) Contingent Consideration Liability = Estimated fair value of the \$575 million potential earn-out payments

(4) Deferred Tax Liability = Tax effect of the acquisition

POST ACQUISITION ACCOUNTING

- The capitalized IPR&D intangible asset for each compound acquired will be amortized to expense over its useful life when regulatory approval is received. **This will be a non-cash charge.**
- Any impairments of the capitalized IPR&D intangible asset for each compound acquired will be expensed. **This will be a non-cash charge.**
- Goodwill is an indefinite lived asset and will be tested for impairment. Any impairment of goodwill will be expensed. **This will be a non-cash charge.**
- Changes to the fair value of the contingent consideration resulting from new information about events which trigger contingent consideration payments will be expensed. **This will initially be a non-cash charge.**

NON – GAAP INFORMATION

Management believes non-GAAP net income is a useful tool to analyze core corporate performance, and expects to report non-GAAP net income in current and future periods.

In prior periods, non-GAAP net income has excluded:

- the impact of employee stock-based compensation expense,
- imputed interest related to the application of Accounting Standards Codification (“ASC”) Subtopic 470-20 (formerly known as Financial Accounting Standards Board Staff Position, or FSP APB, 14-1) related to Onyx’s convertible debt,
- acquisition-related transaction costs, and
- non-recurring expenses related to corporate development, including but not limited to a payment to BTG International Limited in connection with the achievement of a milestone in the ONX 0801 program of \$7.0 million in third quarter 2009.

In addition to the above, management expects non-GAAP net income in future periods could exclude:

- amortization of capitalized in-process research and development (IPR&D),
- impairments of capitalized IPR&D,
- impairments to goodwill, and
- changes to the fair value of the contingent consideration.

Changing the Way Cancer is Treated[®]



Thank You

NASDAQ:ONXX