UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(mark one)

[X] Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended March 31, 2002

or

[ ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Transition Period from _____ to _____

Commission File No. 0-14710

XOMA LTD.

(Exact Name of Registrant as specified in its charter)

Bermuda	52-2154066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2910 Seventh Street, Berkeley, CA 94710
(Address of principal executive offices) (Zip Code)

(510) 644-1170
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 2002
Common shares US$.0005 par value	70,287,972

XOMA LTD.

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XOMA LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2002 (Unaudited)	December 31, 2001 (Note 1)
Assets:		
<S>	<C>	<C>
Cash and cash equivalents	$ 58,183	$ 67,320
Short-term investments	320	320
Related party receivables	423	418
Receivables	6,227	1,662
Inventory	1,306	1,299
Prepaid expenses and other	189	249
Total current assets	66,648	71,268
Property and equipment, net	17,123	14,645
Deposits and other	201	194
	$ 83,972	$ 86,107
Liabilities and Shareholders' Equity:		
Accounts payable	$ 6,340	$ 3,520
Accrued liabilities	4,759	4,422
Capital lease obligations-- current	673	673
Deferred revenue-- current	4,084	5,017
Convertible subordinated note-- current	5,041	5,013
Total current liabilities	20,897	18,645
Capital lease obligations-- long term	1,232	1,393
Deferred revenue-- long term	1,100	1,470
Convertible subordinated notes-- long term	52,241	50,980
Total liabilities	75,470	72,488
Shareholders' equity	8,502	13,619
	$ 83,972	$ 86,107

</TABLE>

Note 1 - Amounts derived from the Company's audited financial statements appearing in the Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission.

See accompanying notes to condensed consolidated financial statements.

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XOMA LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands except per share data)

	Three Months Ended March 31,	
	2002	2001
Revenues:		
<S>	<C>	<C>
License and collaborative fees	$ 6,313	$ 1,015
Contract and other revenue	2,909	1,841
	9,222	2,856
Operating Costs and Expenses:		
Research and development	9,935	8,470
Marketing, general and administrative	4,849	1,610
	14,784	10,080
Loss from operations	(5,562)	(7,224)
Other Income (Expense):		
Investment and other income	272	459
Interest and other expense	(649)	(810)
Net loss	$(5,939)	$(7,575)
Basic and diluted net loss per share	$ (0.08)	$ (0.11)
Shares used in computing basic and diluted net loss per share	70,229	66,134

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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XOMA LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2002	2001
Cash Flows From Operating Activities:		
<S>	<C>	<C>
Net cash provided by (used in) operating activities	$ (6,405)	$ (4,788)
Cash Flows From Investing Activities:		
Proceeds from sale of short-term investments	--	96
Capital expenditures	(2,852)	(963)
Net cash provided by (used in) investing activities	(2,852)	(867)
Cash Flows From Financing Activities:		
Proceeds from issuance of common shares, net	281	618
Proceeds related to convertible notes	--	2,203
Payments under capital leases	(161)	(40)
Net cash provided by (used in) financing activities	120	2,781
Net increase (decrease) in cash and cash equivalents	(9,137)	(2,874)
Cash and cash equivalents at beginning of period	67,320	35,043

Cash and cash equivalents at end of period	$58,183	$32,169

</TABLE>

See accompanying notes to condensed consolidated financial statements.

XOMA LTD.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. Business

XOMA Ltd. ("XOMA" or the "Company"), a Bermuda company, is a biopharmaceutical company that develops and manufactures products to treat cancer, immunologic and inflammatory disorders, and infectious diseases. The Company's products are presently in various stages of development and all are subject to regulatory approval before the Company or its collaborators can commercially introduce any products. There can be no assurance that any of the products under development by the Company will be developed successfully, obtain the requisite regulatory approval or be successfully manufactured or marketed.

2. Basis of Presentation

The interim information contained in this report is unaudited but, in management's opinion, includes all normal recurring adjustments necessary for a fair presentation of results for the periods presented. Interim results may not be indicative of results to be expected for the full year. The unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2001 included in its Annual Report on Form 10-K.

3. Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

5. Concentration of Risk

Cash, cash equivalents, short-term investments and accounts receivable are financial instruments which potentially subject the Company to concentrations of credit risk. The Company maintains and invests excess cash in money market funds and repurchase agreements which bear minimal risk. The Company has not experienced any significant credit

losses and does not generally require collateral on receivables. In the first quarter of 2002, three customers represented 54%, 28% and 16% of total revenues and as of March 31, 2002 billed and unbilled receivables totaled $4,000,000, $2,148,000 and $0 for these customers, respectively. In the first quarter of 2001, two customers represented 49% and 48% of total revenues.

6. Recent Accounting Pronouncements

In July of 2001, the Financial Accounting Standards Board, or FASB, issued Statements of Financial Accounting Standards No. 141, or SFAS 141, "Business Combinations." SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. In addition, SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. Specifically, SFAS 141 requires that an intangible asset may be separately recognized only if such an asset meets the contractual-legal criterion or the separability criterion. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that is completed after June

30, 2001 (i.e., the acquisition date is July 1, 2001 or after). The adoption of SFAS 141 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In July of 2001, the FASB issued Statements of Financial Accounting Standards No. 142, or SFAS 142, "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. For intangible assets with indefinite useful lives, the impairment review will involve a comparison of fair value to carrying value, with any excess of carrying value over fair value being recorded as an impairment loss. For goodwill, the impairment test shall be a two-step process, consisting of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit. If the carrying amount is in excess of the fair value, the implied fair value of the reporting unit goodwill is compared to the carrying amount of the reporting unit goodwill. Any excess of the carrying value of the reporting unit goodwill over the implied fair value of the reporting unit goodwill will be recorded as an impairment loss. Separable intangible assets that are deemed to have a finite life will continue to be amortized over their useful lives (but with no maximum life). Intangible assets with finite useful lives will continue to be reviewed for impairment in accordance with Statements of Financial Accounting Standards No. 121, or SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. The adoption of SFAS 142 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In August of 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The

adoption of SFAS 143 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In October of 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. However, SFAS 144 retains the fundamental provisions of SFAS 121 for: (1) recognition and measurement of the impairment of long-lived assets to be held and used; and (2) measurement of long-lived assets to be disposed of by sale. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 on January 1, 2002 had no material effect on the Company's financial position or results of operations.

7. Revenue Recognition

Revenue is recognized when the related costs are incurred and the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectibility of those fees.

License and Collaborative Fees

Revenue from non-refundable, up-front license or technology access payments under license and collaborative agreements where the Company has a continuing obligation to perform is recognized as revenue over the period of the continuing performance obligation. Revenue from such payments that are not dependent on future performance by the Company under such agreements is recognized as revenue when the amount thereof is fixed and determinable and collectibility is reasonably assured.

Milestone payments under collaborative arrangements are recognized as revenue upon achievement of the incentive milestone events, which represent the culmination of the earnings process because the Company has no future performance obligations related to the payment. Milestone payments that require a continuing performance obligation on the part of the Company are recognized over the period of the continuing performance obligation. Incentive milestone payments are triggered either by the results of our research efforts or by events external to the Company, such as regulatory approval to market a product or the achievement of specified sales levels by a marketing partner. Amounts received in advance are recorded as deferred revenue until the related milestone is achieved.

Contract Revenue

Contract revenue for research and development involves the Company providing research, development or manufacturing services on a best efforts basis to collaborative partners. The Company recognizes revenue under these arrangements as the related research and development costs are incurred.

Product Sales

The Company recognizes product revenue upon shipment when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed, and determinable and collectibility is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns, and discounts, if any.

8. License Agreement

In February of 2002, XOMA and MorphoSys AG announced cross-licensing agreements for antibody-related technologies. Under the agreements, XOMA will receive license payments from MorphoSys in addition to a license to use the MorphoSys HuCAL(R) GOLD antibody library for its target discovery and research programs. MorphoSys and its partners receive a license to use the XOMA antibody expression technology for developing antibody products using MorphoSys' phage display-based HuCAL(R) antibody library. MorphoSys also receives a license for the production of antibodies under the XOMA patents. Because there are no continuing performance obligations on the part of the Company under the MorphoSys agreement, the fixed and determinable portion of the license fee provided for in that agreement was recognized as revenue in the first quarter of 2002. Under the terms of the agreement, the license fee is to be paid in two installments. The first was due and paid in the first quarter of 2002, and the second more significant portion is due in the foruth quarter of 2002.

9. Research and Development

The Company expenses research and development costs as incurred. Research and development expenses consist of direct and research-related allocated overhead costs such as facilities costs, salaries and related personnel costs and material and supply costs. In addition, research and development expenses include costs related to clinical trials to validate the Company's testing processes and procedures and related overhead expenses.

10. Comprehensive Income (Loss)

Unrealized gains or losses on the Company's available-for-sale securities are included in other comprehensive income (loss). Comprehensive loss and its components for the three months ended March 31, 2002 and 2001 are as follows (in thousands):

	Three Months Ended March 31,	
	2002	2001
Net Loss	$(5,939)	$(7,575)
Unrealized gain on securities available-for-sale	--	--
Comprehensive loss	$(5,939)	$(7,575)

11. Net Loss Per Common Share

Basic and diluted net loss per share is based on the weighted average number of common shares outstanding during the period in accordance with SFAS No. 128. Common share equivalents were not included because they are antidilutive in all periods presented.

12. Inventories

Inventories are stated at the lower of standard cost (which approximates first-in, first-out cost) or market. Inventories, which relate principally to the Company's agreement with Baxter Healthcare Corporation, consist of the following (in thousands):

	March 31, 2002	December 31, 2001
Raw materials	$ 202	$ 195

Finished goods	1,104	1,104
	$ 1,306	$ 1,299

13. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	March 31, 2002	December 31, 2001
Accrued payroll costs	$ 1,936	$ 2,347
Accrued clinical trial costs	494	445
Other	2,329	1,630
	$ 4,759	$ 4,422

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations:

Revenues in the first quarter of 2002 increased to $9.2 million, from $2.9 million in the first quarter of 2001. Licensing revenue, increased to $6.3 million in the first quarter of 2002 from $1.0 million in first quarter of 2001, primarily reflecting a fee from our agreement with MorphoSys AG, entered into in the first quarter of 2002. Because there are no continuing performance obligations on the part of the Company under the MorphoSys agreement, the fixed and determinable portion of the license fee provided for in that agreement was recognized as revenue in the first quarter of 2002. (See Note 7 to Consolidated Condensed Financial Statements, "Revenue Recognition.") Under the terms of the agreement, the license fee is to be paid in two installments. The first was due and paid in the first quarter of 2002, and the second more significant portion is due in the foruth quarter of 2002. Contract revenue increased to $2.9 million in the first quarter of 2002 from $1.8 million in the first quarter of 2001. This increase was primarily the result of higher service revenues from our agreement with Onyx Pharmaceuticals, Inc.

Research and development expenses increased to $9.9 million in the first quarter of 2002 from $8.5 million in the comparable prior year period. Spending in 2002 reflected increased development costs associated with Xanelim(TM), LDP01, CAB2 and ONYX-015. This was partially offset by reduced spending on Mycoprex and Genimune development programs, which were discontinued during 2001.

Marketing, general and administrative expenses increased to $4.8 million in the first quarter of 2002 from $1.6 million in the same period of 2001. This increase is primarily due to legal expenses related to litigation with Biosite Incorporated and certain securities claims and to expenses related to the MorphoSys cross-licensing arrangement. Spending in 2002 also included XOMA's share of commercial development expenses related to activities in preparation for a potential future product launch of Xanelim(TM).

Interest income of $0.3 million in the first quarter of 2002 compared to $0.5 million for the same period of 2001 was lower due to lower interest rates offset by higher average cash balances. Interest expense of $0.6 million in the first quarter of 2002, compared to $0.8 million for the same period of 2001, reflected lower interest rates on a higher average outstanding balance of the convertible subordinated notes due to Genentech, Inc. and Millennium Pharmaceuticals, Inc.

Liquidity and Capital Resources:

XOMA ended the quarter with $58.5 million in cash, cash equivalents and short-term investments, compared with $67.6 million at December 31, 2001. Net cash used in operations in the first quarter of 2002 was $6.4 million, compared with net cash used in operations of $4.8 million in the same period of 2001. In comparing the two periods, the 2002 period bene-

fited from a lower net loss and increased accounts payable, but this was more than offset by increased accounts receivable and decreased deferred revenue. The increase in accounts receivable in the 2002 quarter was due primarily to the licensing fee from our arrangement with MorphoSys.

Capital expenditures increased to $2.9 million in the first quarter of 2002 from $1.0 million for the same period of 2001. Current year spending included expenditures related to capacity expansion of our Berkeley manufacturing facility.

For the full year 2002, the Company currently expects its net loss to be somewhat higher than in 2001, due to increased expenses on Xanelim(TM) and on the Millennium collaboration, and the further expansion of the Company's development infrastructure. In addition, in early April 2002, the Company announced the initiation of testing of Xanelim(TM) for moderate-to-severe rheumatoid arthritis.

Based on current spending levels, currently anticipated revenues, and debt financing provided by Genentech for XOMA's share of Xanelim(TM) development costs, the Company estimates it has sufficient cash resources to meet its operating needs through at least the middle of 2004. Any significant revenue shortfalls, or increases in planned spending on internal programs could shorten this period. Any licensing arrangements or collaborations, or favorable market conditions supporting taking advantage of financing commitments from Millennium under the collaborative agreement between the companies, or otherwise entering into new equity or other financing arrangements, could extend this period. Genentech and XOMA announced in early April 2002 that a pharmacokinetic study comparing XOMA-produced material and Genentech-produced material did not achieve a pre-defined statistical definition for comparability. Enrollment in an additional 500-patient efficacy study designed to confirm clinical comparability of the XOMA and Genentech material is now complete. Subject to the successful outcome of this study and agreement with the FDA, the companies anticipate filing an application for marketing approval by year-end 2002.

The timeliness of this submission, subsequent review by the FDA and progress or setbacks by potentially competing products may have an adverse effect on the Company's plans and its ability to raise new funding on acceptable terms. For a further discussion of the risks related to our business and their effects on our cash flow and ability to raise new funding on acceptable terms, see "Forward-Looking Statements And Cautionary Factors That May Affect Future Results" included in the Company's most recent annual report on Form 10-K, as updated by the disclosure found throughout this quarterly report on Form 10-Q.

Quantitative and Qualitative Disclosures About Market Risk:

Interest Rate Risk. The Company's exposure to market rate risk due to changes in interest rates relates primarily to the Company's investment portfolio. The Company does not use derivative financial instruments in its investment portfolio. By policy, the Company places its investments with high quality debt security issuers, limits the amount of credit expo-

sure to any one issuer, limits duration by restricting the term and holds investments to maturity except under rare circumstances. The Company classifies its cash equivalents as fixed rate if the rate of return on an instrument remains fixed over its term. As of March 31, 2002, all the Company's cash equivalents are classified as fixed rate.

The Company also has a long-term convertible note due to Genentech in 2005. Interest on this note of LIBOR plus 1% is reset at the end of June and December each year and is therefore variable.

Other Market Risk. At March 31, 2002, the Company had a long-term convertible note outstanding which is convertible into common shares based on the market price of the Company's common shares at the time of conversion. A 10% decrease in the market price of the Company's common shares would increase the number of shares issuable upon conversion of either security by approximately 11%. An increase in the market price of Company common shares of 10% would decrease the shares issuable by approximately 9%.

Forward-Looking Statements:

Certain statements contained herein related to the relative size of the Company's loss for 2002, the estimated levels of its expenses and revenues for the balance of 2002, the sufficiency of its cash resources and the BLA filing time frame, as well as other statements related to the progress and timing of product development and present or future licensing or collaborative arrangements, 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. Among other things, the actual loss for 2002 could be higher depending on the size and timing of expenditures and whether there are unanticipated expenditures; the sufficiency of cash resources could be shortened if expenditures are made earlier or in larger amounts than anticipated

or are unanticipated or if funds are not available; and the BLA filing could be delayed by unexpected safety or efficiency issues or additional time requirements for data analysis, BLA preparation, discussions with the FDA, additional clinical studies or manufacturing process modifications. These and other risks, including those related to changes in the status of the existing collaborative relationships, availability of additional licensing or collaboration opportunities, the timing or results of pending and future clinical trials, the ability of collaborators and other partners to meet their obligations, market demand for products, actions by the Food and Drug Administration or the U.S. Patent and Trademark Office, and uncertainties regarding the status of biotechnology patents, are discussed in the Company's most recent annual report on Form 10-K and in other SEC filings.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings. On January 7, 2002, the United States District Court for the Northern District of California, San Francisco Division, denied Biosite Incorporated's motion to sever the patent issues in XOMA's ongoing case against Biosite from the license issues and to address the license issues first. In February of 2002, Biosite announced that it has begun implementing an antibody expression technology intended to allow it to operate its business without using XOMA's patents and that it is launching a licensing program. On or about March 5, 2002, Biosite filed an amended answer to add additional defenses that certain of the patents at issue are invalid, that certain alleged inequitable conduct on the part of the XOMA entities renders certain of the patents unenforceable and that alleged patent misuse renders the patents at issue unenforceable. Discovery has commenced as to all claims, defenses and counterclaims and is continuing.

In March of 2002, a federal court dismissed each of the three federal securities class action lawsuits filed last year against XOMA, Genentech and certain of their officers. After further investigating the issues, plaintiffs' counsel had filed with the Court a Stipulation and Proposed Order of Voluntary Dismissal in all three actions. Thereafter, the Court entered an order dismissing each of the lawsuits without prejudice. No consideration was exchanged, and neither plaintiffs nor their counsel received any compensation or reimbursement of expenses.

In January 2002, a Complaint, which pleads many of the allegations that had been made in the class action lawsuits referenced above, was filed in the California Superior Court in San Diego County against XOMA, Genentech and certain unidentified "John Doe" defendants. The plaintiff purports to assert claims under the California Unfair Competition Act, seeking injunctive relief and other equitable remedies in connection with the defendants' alleged misrepresentations and omissions concerning the anticipated timetable for the filing of the XanelimTM BLA. On March 14, 2002, XOMA filed a demurrer and a motion to strike the Complaint. Thereafter, Genentech filed its own demurrer and joined in XOMA's motion to strike the Complaint. In May 2002, the plaintiff responded to the demurrers and motion to strike by filing an Amended Complaint, which tracks in material respects the allegations contained in the plaintiff's original Complaint, but expands the time period at issue to include the April 5, 2002 press release issued by Genentech and XOMA. It is anticipated that, by agreement among the parties, the deadline by which XOMA must respond to the Amended Complaint will be extended.

Item 2 Changes in Securities and Use of Proceeds. The Company continues to use the net proceeds from its June 2001 registered offering of common shares for general corporate purposes, including leasehold improvements, equipment acquisitions, current research and development projects, the development of new products or technologies, general working capital and operating expenses. Pending application of the net proceeds as described above, the Company has invested the remaining net proceeds of the offering in short-term, investment-grade, interest-bearing securities.

Item 3 Defaults Upon Senior Securities. None.

Item 4 Submission of Matters to a Vote of Security Holders. None

Item 5 Other Information. None.

Item 6 Exhibits and Reports on Form 8-K.

a) Exhibits:

<TABLE>
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Exhibit 10.39A Amendment No. 1 to the Process Development and Manufacturing Agreement by and between XOMA (US) LLC and Onyx Pharmaceuticals, Inc., dated as of April 15, 2002 (with certain confidential information omitted, which omitted information is the subject of a confidential treatment request and has been filed separately with the Securities and Exchange Commission).
</TABLE>

b) Reports on Form 8-K: None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XOMA LTD.

Date: May 15, 2002 By: /s/ JOHN L. CASTELLO

John L. Castello
Chairman of the Board, President and
Chief Executive Officer

Date: May 15, 2002 By: /s/ PETER B. DAVIS

Peter B. Davis
Vice President, Finance and
Chief Financial Officer

[*] indicates that a confidential portion of this Amendment has been omitted and filed separately with the Securities and Exchange Commission.

AMENDMENT #1 TO THE

"PROCESS DEVELOPMENT AND MANUFACTURING AGREEMENT"

BETWEEN

ONYX PHARMACEUTICALS, INC., and XOMA (US) LLC

This Amendment #1 to the Process Development and Manufacturing Agreement (the "Amendment") is made and entered into on April 15, 2002 by and between ONYX Pharmaceuticals, Inc., a Delaware Corporation having its principal place of business at 3031 Research Drive, Richmond, California 94806 ("ONYX"), and XOMA (US) LLC, a Delaware limited liability company ("XOMA") with offices at 2910 Seventh Street, Berkeley, California 94710. ONYX and XOMA are sometimes referred to herein individually as a "Party" and collectively as "Parties."

RECITALS

Whereas ONYX and XOMA entered into a Process Development and Manufacturing Agreement, dated January 29, 2001, to engage XOMA to scale up and improve the process for the manufacture of ONYX-015, and to manufacture and supply ONYX-015 in bulk form for clinical trials and for the commercial launch of the ONYX-015 product, such that the Development Phase was to occur at a [*] liter scale and the commercial Manufacturing Phase was to occur at a [*] liter scale;

Whereas the Parties desire to amend the Agreement as follows:

1. Section 2.5(a) of the Agreement is deleted in its entirety, and the following substituted in its place:

2.5 Specifications; Changes to Specifications and Work Plan.

(a) As of the Effective Date, ONYX and Pfizer have agreed upon the current Specifications for Drug Substance, which are attached hereto as Exhibit A. ONYX may change the Specifications from time to time, after consulting with XOMA in advance as to such changes, and such revised Specifications shall replace the previous Specifications and shall be deemed to be part of this Agreement as Exhibit A. A copy of the current Specifications for Drug Substance is attached to this Amendment as Exhibit A. In particular, after XOMA has produced [*] releasable Batches of Drug Substance at the [*]L Development Scale, the Project Team shall determine if any changes to the Specifications are desirable or required. In particular, the Parties expect that ONYX will change the Specifications as a result of process changes made during the Development Phase under Section 4 and the data obtained from registration Batches manufactured pursuant to Section 4.2, and that such modified Specifications will be consistent with FDA expectations for purity, potency, and other product characteristics. ONYX and XOMA expect that the modified Specifications will be comparable to Specifications existing as of the Effective Date, particularly as regards purity and potency, except as these Specifications may require revision per the request of any Regulatory Authority (e.g., FDA, EMEA).

2. Section 4.2(a) of the Agreement is deleted in its entirety, and the following substituted in its place:

4.2 Scale-up of Manufacture

(a) Establishment of Commercial Scale. Subject to sections 4.2(c) and 4.3, in accordance with the Work Plan and as quickly as reasonably practicable, XOMA will scale up the manufacturing scale for Drug Substance to Commercial Scale, including, without limitation, performing process development work to improve the manufacturing process for Drug Substance that is transferred to XOMA pursuant to Section 4.1, increasing of the Drug Substance Yield, and addressing FDA expectations for quality (i.e., purity and potency). The goal of such efforts will be the production of the first Batch at Commercial Scale of Drug Substance that meets Specifications and that results in an overall Drug Substance Yield of at least [*] (which Yield level will not be deemed pursuant to this Section 4.2(a) to be a Specification). This minimum Yield percentage of [*] is an estimate based on production at the [*]L fermentation bioreactor scale, and it is subject to confirmation and mutually agreed good faith adjustment by the Parties based upon initial manufacturing runs at Development Scale.

3. Section 4.3 of the Agreement is deleted in its entirety, and the following substituted in its place:

4.3 Production at Development Scale. Prior to the establishment of Commercial Scale per section 4.2(a), as quickly as reasonably practicable, but no later than [*], XOMA will initiate [*] cGMP Batches of Drug Substance at the [*] liter Development Scale in calendar [*], and ONYX will receive all of each such Batch for purposes of (i) satisfying ONYX and Pfizer's projected needs for a working stock of active ONYX-015 virus and for ONYX-015 supplies for critical clinical trials, (ii) generating experimental data to support proposed process changes, (iii) supporting the preparation and filing of appropriate documentation (e.g. a Drug master file or any new or amended INDs for ONYX-015 that ONYX or an ONYX Partner may file), and/or (iv) supporting any BLA that ONYX or Pfizer may file for ONYX-015. The Parties will consult as to ONYX's additional needs for Development Scale Batches, based on its needs for the purposes set forth in this Section 4.3, and XOMA will consider in good faith any requests by ONYX for such additional production of Drug Substance at Development Scale, with any production to be included in the Work Plan only upon the Parties' mutual agreement. If XOMA produces any additional Development Scale Batch pursuant to this Section 4.3, then: (i) the Parties will agree upon an extension of the timeframes in Section 11.3(a) pursuant to which ONYX may terminate this Agreement without penalty; and/or (ii) the Parties will agree upon an extension of the period during which XOMA will manufacture the guaranteed minimum number of Batches so as to permit XOMA to recapture its economic benefits as contemplated in this Agreement.

In addition, as soon as practical but not later than [*], XOMA shall produce [*] cell suspension-adapted HEK 293 cell banks (to include [*]) in full compliance with cGMP and produced in Xoma's cGMP cell banking facility. Each bank must contain at least [*] vials (net of vials removed for QC testing and retains), and must meet Onyx specifications for suspension-adapted HEK 293 master or working cell banks ("Cell Bank Specifications"), as appropriate. Additionally, Xoma shall use reasonable efforts to produce [*] additional cell suspension-adapted HEK 293 cell banks, also to include [*], in full compliance with cGMP and produced in Xoma's cGMP cell banking facility. Each bank must also contain at least [*] vials (net of vials removed for QC testing and retains), and must meet

Onyx specifications, as appropriate. Copies of the current cell bank specifications are attached to this Amendment as Exhibits B and C.

4. Section 5.4 of the Agreement is deleted in its entirety, and the following substituted in its place:

5.4 Commercial Supply Forecast. On or before [*], Onyx will provide XOMA with a non-binding written [*] year forecast by calendar quarter of Onyx's or any Onyx Partner's anticipated orders for Drug Substance, based upon demand for clinical trials and commercial sales and upon reasonably anticipated dates for issuance of Regulatory Approvals for the ONYX-015 product and launch dates therefor. This forecast shall be for facility planning purposes only and shall not constitute an order. Onyx will update this forecast on a calendar quarterly basis.

5. Section 6.2 of the Agreement is deleted in its entirety, and the following substituted in its place:

6.2 Space Fee. Beginning with the calendar quarter commencing [*], and until production of the first registration Batch at Commercial Scale pursuant to Section 4.2(a), ONYX shall pay XOMA a dedicated space fee for the Suite of [*] per calendar quarter, payable on a calendar quarterly basis in advance by wire transfer of immediately available funds to an account designated by XOMA. After the calendar quarter in which such first registration Batch is supplied to ONYX, no further dedicated space fee shall be payable. Adjustment for the first two quarters of 2002 will be wired to XOMA promptly after signing this Amendment.

6. Section 6.5 of the Agreement is deleted in its entirety, and the following substituted in its place:

6.5 Milestone Payments. Within thirty (30) days of the achievement of each milestone set forth in this Section 6.5, ONYX will pay to XOMA the applicable milestone payment by wire transfer of immediately available funds to an account designated by XOMA.

(a) Commercial Scale

Other than milestones for additional Yield improvements pursuant to Section 6.5(a)(ii), no Commercial Scale milestone payment will be payable more than once.

(i) Initial Commercial Scale Batch Meeting Specifications and with Adequate Yield. Upon production of the initial Batch at the [*]L Commercial Scale in compliance with Specifications and cGMP with the required minimum Yield pursuant to Section 4.2(a), as adjusted, ONYX will pay to XOMA a

milestone payment of [*].

(ii) Yield Improvements. For each increase of [*] percentage points in manufacturing Yield in excess of [*] Yield (as such Yield level may be adjusted pursuant to Section 4.2(a)), as calculated at the completion of the first [*] Batches of Drug Substance at [*]L Commercial Scale that comply with the warranties in Section 8.1(a) pursuant to Sections 4.2(a) and (b), ONYX will pay to XOMA a milestone payment of [*]. Increases in Yield must be evidenced by the average Yield of the [*] Batches of Drug Substance (or, if the Yield for one Batch differs by at least [*] percentage points from the average Yield of the other [*] Batches, the average Yield of

such [*] Batches and the next Batch at Commercial Scale that complies with the warranties in Section 8.1(a)) at or in excess of [*] Yield (as so adjusted).

For purposes of example:

If [*] consecutive Batches result in Yields of [*], respectively, XOMA will have earned an aggregate milestone payment of [*], as there has been a demonstrated Yield improvement of [*] percentage points, which is equal to [*] increments of [*] percentage points so that XOMA would receive [*] milestone payments of [*]. If [*] consecutive Batches result in Yields of [*], respectively, and a [*] Batch results in a Yield of [*], the [*] Batch would be disregarded, and XOMA will have earned an aggregate milestone payment of [*] based upon the other [*] Batches, as there has been a demonstrated Yield improvement of [*] percentage points, which is equal to [*] increments of [*] percentage points so that XOMA would receive [*] milestone payments of [*].

Milestone payments for Yield improvements under this Section 6.5(b) shall be payable only once for each [*] percentage points of Yield improvement.

(b) [*] Liter Development Scale

(i) Number of Batches and Production of Drug Substance

ONYX shall pay XOMA a milestone payment of [*] upon initiation of the [*] run at [*] liter Development Scale provided all [*] runs are initiated during the calendar year [*], and further provided that at least [*] liter runs yield releasable Batches of Drug Substance. In addition, during the calendar year [*], ONYX shall pay XOMA [*] for each releasable Batch of Drug Substance produced after the first [*] releasable Batches have been produced.

(ii) Yield Improvements

ONYX shall pay XOMA a milestone payment of [*] for every incremental [*] point improvement in Drug Substance Yield evidenced by the average Yield of [*] consecutive releasable Batches of Drug Substance, starting from the current baseline Yield of [*]. A given batch may be used only once for the purpose of determining an incremental Yield improvement under this Amendment. The average Yield used to demonstrate attainment of each Yield improvement milestone will be used as the new baseline Yield for determining the next incremental Yield improvement milestone.

For purposes of example:

With regard to the initial milestone payment, if [*] consecutive releasable Batches result in Yields of [*], respectively, XOMA will have earned an aggregate milestone payment of [*], as there has been an average demonstrated Yield improvement over the [*] Batches of [*] percentage points, which is equal to [*] increments of [*] percentage points above the initial baseline Yield of [*], so that XOMA would receive [*] milestone payments of [*].

In the above example, the average Yield for the [*] Batches of [*] would become the new baseline Yield for the next incremental Yield improvement milestone payment. If the following [*] consecutive releasable Batches result in Yields of [*], respectively, XOMA will have earned an additional milestone payment of [*], as there has been a demonstrated Yield improvement over the [*] Batches of [*] percentage points, which is equal to [*] increments of [*] percentage points above the new baseline Yield of [*].

(c) Regulatory Approval for Facility. Upon licensure by the FDA of ONYX-015 for manufacture of Drug Substance by XOMA at the Facility, ONYX will pay to XOMA a milestone payment of [*].

7. Section 11.3(a) of the Agreement is deleted in its entirety, and the

following substituted in its place:

(a) Delay in Performance by XOMA. If ONYX has not materially breached its obligations to assist XOMA or enable XOMA's performance under this Agreement, then ONYX may terminate this Agreement without penalty or further obligation to XOMA (except as otherwise stated in this Section 11.3) upon at least ninety (90) days prior written notice if:

(i) XOMA has not initiated manufacture of Drug Substance (defined as thawing a vial of cells in preparation for manufacturing a Batch of Drug Substance) in the Suite by [*];

(ii) XOMA has not manufactured and supplied to ONYX or its designee a Batch of Drug Substance meeting the then current Specifications at the [*]L Development Scale by [*], provided that ONYX has not significantly delayed the timelines for the Project due to ONYX's decisions based on changed needs for ONYX-015 for clinical trials or on implementation of process changes;

(iii) XOMA has not manufactured and supplied to ONYX or its designee a Batch of Drug Substance at [*]L Commercial Scale meeting the then-current Specifications by [*], provided that ONYX has not significantly delayed the timelines for the Project due to ONYX's decisions based on changed needs for ONYX-015 for clinical trials on implementation of process changes; or

(iv) After the Attainment of Commercial Scale, XOMA fails to successfully manufacture the number of Batches of Drug Substance ordered by ONYX in compliance with its guaranteed minimum annual number of Batches in any applicable twelve (12) month period under Section 5.2.

If ONYX's actions, inactions (e.g. ONYX's failure to provide raw materials, etc., pursuant to Section 2.1(b)) or decisions cause a delay in achievement of the target dates in this Section 11.3(a), ONYX and XOMA will in good faith agree upon an extension of the target dates. If ONYX terminates this Agreement pursuant to this Section 11.3(a), ONYX will reimburse XOMA for all appropriate costs under this Agreement incurred by XOMA to the date of notice of termination by ONYX for services performed, for commitments that cannot be canceled, and for resources that cannot be reallocated, and for all other costs that XOMA incurs in transferring the technology to ONYX or a Third Party at ONYX's request pursuant to Section 7.1(b). XOMA will use diligent, commercially reasonable efforts to minimize any costs or obligations that cannot be canceled and to reallocate any resources that were dedicated to the Project.

8. Counterparts. This Amendment may be executed in counterparts with the same force and effect as if each of the signatories had executed the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers as of the date first set forth above.

XOMA (US) LLC	ONYX PHARMACEUTICALS, INC.
By: /s/ Clarence L. Dellio	By: /s/ Hollings C. Renton
Name: Clarence L. Dellio	Name: Hollings C. Renton
Title: Senior Vice President, Operations	Title: Chief Executive Officer

EXHIBIT A

[*]

A-1

EXHIBIT B

[*]

B-1

EXHIBIT C

[*]

C-1