



July 31, 2014

Nektar Therapeutics Reports Financial Results for the Second Quarter of 2014

SAN FRANCISCO, July 31, 2014 /PRNewswire/ -- Nektar Therapeutics (Nasdaq: NKTR) today reported its financial results for the second quarter ended June 30, 2014.

Cash and investments in marketable securities at June 30, 2014 were \$301.4 million as compared to \$309.1 million at March 31, 2014.

"The second half of 2014 will be an exciting time for Nektar as we look forward to significant milestones for a number of our late-stage clinical programs," said Howard W. Robin, President and Chief Executive Officer of Nektar. "The first of these is the potential US and EU approvals of Movantik™ with our partner AstraZeneca. If approved, Movantik would be the first oral targeted therapy approved for opioid induced constipation, a debilitating condition that occurs in up to 80%* of the 69 million chronic pain patients worldwide. Our partner Baxter has completed dosing in their Phase 3 study for BAX 855, a longer-acting PEGylated Factor VIII therapy to treat hemophilia A and plans to file the BLA in the U.S. by the end of this year. In our proprietary pipeline, we are on track for topline results from the Phase 3 breast cancer study for NKTR-102 in Q1 2015."

Revenue in the second quarter of 2014 was \$28.5 million as compared to \$33.9 million in the second quarter of 2013. Year-to-date revenue for 2014 was \$48.3 million as compared to \$56.9 million in the first half of 2013. The decrease in revenue in the second quarter and first half of 2014 as compared to the same periods in 2013 is primarily due to decreased manufacturing activity. Revenue included non-cash royalty revenue, related to our 2012 royalty monetization, of \$4.8 million and \$10.6 million in the second quarter and first half of 2014, respectively, and \$3.8 million and \$8.2 million in the second quarter and first half of 2013, respectively. This non-cash royalty revenue is offset by non-cash interest expense.

Total operating costs and expenses in the second quarter of 2014 were \$51.4 million as compared to \$66.5 million in the second quarter of 2013. Total operating costs and expenses in the first half of 2014 were \$107.6 million as compared to \$134.6 million in the first half of 2013. Total operating costs and expenses decreased primarily as a result of decreased research and development (R&D) expense, as well as decreased cost of goods sold associated with decreased manufacturing activity.

Research and development expense in the second quarter of 2014 was \$36.7 million as compared to \$52.2 million in the second quarter of 2013. For the first half of 2014, R&D expense was \$75.0 million as compared to \$97.8 million in the first half of 2013. R&D expense was lower in the second quarter and first half of 2014 as compared to the same periods in 2013 primarily because of reduced expenses for the Phase 3 study of etirinotecan pegol (NKTR-102) in metastatic breast cancer, which completed enrollment in the third quarter of 2013. Additionally, R&D expense in the second quarter and first half of 2013 included costs related to the Phase 2 study of NKTR-181, which was completed in 2013. These decreases in R&D expense in 2014 were partially offset by costs for the preparation for the start of Phase 3 for NKTR-181, the ongoing Phase 1 study of NKTR-171, and the continued production of devices for the ongoing Phase 3 studies of Amikacin Inhale.

General and administrative expense was \$9.6 million in the second quarter of 2014 as compared to \$9.2 million in the second quarter of 2013. G&A expense in the first half of 2014 was \$19.5 million as compared to \$20.1 million in the first half of 2013.

Non-cash interest expense incurred in connection with the 2012 royalty monetization was \$5.1 million and \$10.5 million in the second quarter and first half of 2014, respectively, as compared to \$5.5 million and \$11.0 million in the second quarter and first half of 2013, respectively.

Net loss in the second quarter of 2014 was \$32.6 million or \$0.26 loss per share as compared to \$42.7 million or \$0.37 loss per share in the second quarter of 2013. Net loss in the first half of 2014 was \$78.8 million or \$0.63 loss per share as compared to \$97.8 million or \$0.85 loss per share in the first half of 2013.

The company also announced upcoming presentations at the following medical meetings and scientific congresses during the third and fourth quarters of 2014:

Global Cancer Conference 2014, Hyderabad, India:

- Oral Abstract Title: "NKTR-214: A long-acting, engineered immunotherapy shows excellent therapeutic efficacy in multiple

syngeneic mouse tumor models both alone and in combination with checkpoint inhibition", Addepalli, M., et al.

- o Date: September 15-17, 2014

IASP 15th World Congress on Pain, Buenos Aires, Argentina:

- Abstract/Poster Title: "*Multi-dimensional pathway analysis reveals unique pharmacological signatures of kappa opioid receptor agonists*", Brew, C., et al.
 - o Date: October 10, 2014, 9:30 a.m. Argentina Time

Society for Neuroscience, Washington, DC:

- Abstract/Poster Title: "*SEO-16: An orally active opioid analgesic with rapid onset of activity and reduced CNS side effects*", Harrison, S., et al.
 - o Poster Session 244: "Opioids and other analgesics"
 - o Date: November 16, 2014, 1:00 p.m. — 5:00 p.m. Eastern Time

Conference Call to Discuss Second Quarter 2014 Financial Results

Nektar management will host a conference call to review the results beginning at 5:00 p.m. Eastern Time/2:00 p.m. Pacific Time today, Thursday, July 31, 2014.

This press release and a live audio-only Webcast of the conference call can be accessed through a link that is posted on the home page and Investor Relations section of the Nektar website: <http://www.nektar.com>. The web broadcast of the conference call will be available for replay through Monday, September 1, 2014.

To access the conference call, follow these instructions:

Dial: (877) 881.2183 (U.S.); (970) 315.0453 (international)
Passcode: 73168608 (Nektar Therapeutics is the host)

In the event that any non-GAAP financial measure is discussed on the conference call that is not described in the press release, or explained on the conference call, related information will be made available on the Investor Relations page at the Nektar website as soon as practical after the conclusion of the conference call.

About Nektar

Nektar Therapeutics (NASDAQ: NKTR) is a biopharmaceutical company developing novel therapeutics based on its advanced polymer conjugate technology platform. Nektar has a robust R&D pipeline of potentially high-value therapeutics in pain, oncology and other therapeutic areas. In the area of pain, Nektar has an exclusive worldwide license agreement with AstraZeneca for Movantik™ (naloxegol), an investigational drug candidate, which has been filed for regulatory approvals in the U.S., Europe and Canada as a once-daily, oral tablet for the treatment of opioid-induced constipation. This agreement also includes Movantik fixed dose combination products (formerly NKTR-119), an earlier stage development program that is a co-formulation of Movantik and an opioid. NKTR-181, a novel mu-opioid analgesic molecule for chronic pain conditions, has completed Phase 2 development. NKTR-171, a new sodium channel blocker being developed as an oral therapy for the treatment of peripheral neuropathic pain, is in Phase 1 clinical development. In oncology, etirinotecan pegol (NKTR-102) is being evaluated in a Phase 3 clinical study (the BEACON study) for the treatment of metastatic breast cancer and is also in Phase 2 studies for the treatment of lung and brain cancers. In anti-infectives, Amikacin Inhale is in Phase 3 studies conducted by Bayer Healthcare as an adjunctive treatment for intubated and mechanically ventilated patients with Gram-negative pneumonia. Additional late-stage development products that leverage Nektar's proprietary technology platform include Baxter's BAX 855, a longer-acting rFVIII program, which is in Phase 3 clinical development for patients with hemophilia A.

Nektar's technology has enabled eight approved products in the U.S. or Europe through partnerships with leading biopharmaceutical companies, including UCB's Cimzia® for Crohn's disease and rheumatoid arthritis, Roche's PEGASYS® for hepatitis C and Amgen's Neulasta® for neutropenia.

Nektar is headquartered in San Francisco, California, with additional operations in Huntsville, Alabama and Hyderabad, India. Further information about the company and its drug development programs and capabilities may be found online at <http://www.nektar.com>

*Sources: Bell TJ et. al. Pain Med 2009;10(1):35-42, Hess B et. al. Eur J Intern Med 2011;22(5):527-531, Rosti G et. al Eur Rev Med Pharmacol Sci. 2010;14(12):1045-1050. Galvez R et. al. Aten Primaria 2014;46(1):32-39, Dronay J et. al. Support Care Cancer 2008;16(5):453-459.

Movantik is a trademark of AstraZeneca.

Cautionary Note Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "expect," "believe," "should," "may," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding the potential regulatory approval of Movantik[™]; the timing of the announcement of clinical results and potential regulatory filings by Baxter Healthcare for BAX 855; the timing of availability of topline overall survival data for the NKTR-102 BEACON study; and the value and potential of our technology and research and development pipeline. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results to differ materially from those indicated in the forward-looking statements include, among others, (i) our drug candidates and those of our collaboration partners are in various stages of clinical development and the risk of failure is high and can unexpectedly occur at any stage prior to regulatory approval for numerous reasons including safety and efficacy findings even after positive findings in previous preclinical and clinical studies; (ii) the timing of the commencement or end of clinical trials and the commercial launch of our drug candidates may be delayed or unsuccessful due to regulatory delays, slower than anticipated patient enrollment, manufacturing challenges, changing standards of care, evolving regulatory requirements, clinical trial design, clinical outcomes, competitive factors, or delay or failure in ultimately obtaining regulatory approval in one or more important markets; (iii) acceptance, review and approval decisions for new drug applications by health authorities is an uncertain and evolving process and health authorities retain significant discretion at all stages of the regulatory review and approval decision process; (iv) scientific discovery of new medical breakthroughs is an inherently uncertain process and the future success of the application of our technology platform to potential new drug candidates is therefore highly uncertain and unpredictable and one or more research and development programs could fail; (v) patents may not issue from our patent applications for our drug candidates, patents that have issued may not be enforceable, or additional intellectual property licenses from third parties may be required; and (vi) the outcome of any existing or future intellectual property or other litigation related to our drug candidates and those of our collaboration partners. Other important risks and uncertainties set forth in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 8, 2014. Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| ASSETS | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|-----------------------------|---------------|----------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 30,699 | \$ 39,067 |
| Short-term investments | 245,737 | 197,959 |
| Accounts receivable, net | 3,047 | 2,229 |
| Inventory | 14,111 | 13,452 |
| Other current assets | 4,629 | 5,175 |
| Total current assets | 298,223 | 257,882 |
| Restricted cash | 25,000 | 25,000 |
| Property and equipment, net | 71,070 | 66,974 |
| Goodwill | 76,501 | 76,501 |
| Other assets | 7,343 | 8,170 |
| Total assets | \$ 478,137 | \$ 434,527 |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

| | | |
|-----------------------------------|---------------|---------------|
| Accounts payable | \$ 7,437 | \$ 9,115 |
| Accrued compensation | 11,386 | 14,254 |
| Accrued expenses | 5,814 | 6,243 |
| Accrued clinical trial expenses | 13,208 | 16,905 |
| Interest payable | 6,917 | 6,917 |
| Deferred revenue, current portion | 24,766 | 23,664 |
| Other current liabilities | 14,827 | 21,123 |
| Total current liabilities | <u>84,355</u> | <u>98,221</u> |

| | | |
|---|----------------|----------------|
| Senior secured notes | 125,000 | 125,000 |
| Capital lease obligations, less current portion | 6,025 | 8,049 |
| Liability related to receipt of refundable milestone payment | 70,000 | 70,000 |
| Liability related to sale of future royalties, less current portion | 121,431 | 121,520 |
| Deferred revenue, less current portion | 88,918 | 82,384 |
| Other long-term liabilities | 17,768 | 19,256 |
| Total liabilities | <u>513,497</u> | <u>524,430</u> |

Commitments and contingencies

Stockholders' equity (deficit) :

| | | |
|--|-------------------|-------------------|
| Preferred stock | - | - |
| Common stock | 12 | 11 |
| Capital in excess of par value | 1,776,746 | 1,643,660 |
| Accumulated other comprehensive loss | (887) | (1,181) |
| Accumulated deficit | (1,811,231) | (1,732,393) |
| Total stockholders' equity (deficit) | <u>(35,360)</u> | <u>(89,903)</u> |
| Total liabilities and stockholders' equity (deficit) | <u>\$ 478,137</u> | <u>\$ 434,527</u> |

(1) The consolidated balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles in the United States for complete financial statements.

NEKTAR THERAPEUTICS CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share information)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | |
| Product sales and royalty revenue | \$ 5,891 | \$ 10,675 | \$ 11,808 | \$ 22,810 |
| Non-cash royalty revenue related to sale of future royalties | 4,837 | 3,828 | 10,610 | 8,221 |
| License, collaboration and other revenue | 17,785 | 19,359 | 25,866 | 25,835 |
| Total revenue | <u>28,513</u> | <u>33,862</u> | <u>48,284</u> | <u>56,866</u> |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 5,108 | 5,011 | 13,015 | 16,672 |
| Research and development | 36,702 | 52,230 | 75,040 | 97,848 |
| General and administrative | 9,619 | 9,226 | 19,547 | 20,057 |
| Total operating costs and expenses | <u>51,429</u> | <u>66,467</u> | <u>107,602</u> | <u>134,577</u> |
| Loss from operations | (22,916) | (32,605) | (59,318) | (77,711) |
| Non-operating income (expense): | | | | |
| Interest income | 132 | 209 | 266 | 523 |
| Interest expense | (4,488) | (4,656) | (9,021) | (9,301) |
| Non-cash interest expense on liability related to sale of future royalties | (5,134) | (5,485) | (10,521) | (11,028) |

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Other income (expense), net | (36) | (6) | 142 | 123 |
| Total non-operating expense, net | (9,526) | (9,938) | (19,134) | (19,683) |
| Loss before provision for income taxes | (32,442) | (42,543) | (78,452) | (97,394) |
| Provision for income taxes | 195 | 205 | 386 | 417 |
| Net loss | <u>\$ (32,637)</u> | <u>\$ (42,748)</u> | <u>\$ (78,838)</u> | <u>\$ (97,811)</u> |
| Basic and diluted net loss per share | <u>\$ (0.26)</u> | <u>\$ (0.37)</u> | <u>\$ (0.63)</u> | <u>\$ (0.85)</u> |
| Weighted average shares outstanding used in computing basic and diluted net loss per share | <u>127,040</u> | <u>115,544</u> | <u>125,301</u> | <u>115,427</u> |

NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | \$ (78,838) | \$ (97,811) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Non-cash royalty revenue related to sale of future royalties | (10,610) | (8,221) |
| Non-cash interest expense on liability related to sale of future royalties | 10,521 | 11,028 |
| Stock-based compensation | 8,525 | 8,601 |
| Depreciation and amortization | 6,519 | 7,281 |
| Other non-cash transactions | 865 | 159 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (818) | (236) |
| Inventory | (659) | (2,210) |
| Other assets | 738 | 5,508 |
| Accounts payable | (1,818) | 2,631 |
| Accrued compensation | (2,868) | 2,314 |
| Accrued expenses | (314) | 3,280 |
| Accrued clinical trial expenses | (3,697) | (565) |
| Interest payable | - | (166) |
| Deferred revenue | 7,636 | (2,818) |
| Other liabilities | (6,557) | (1,223) |
| Net cash used in operating activities | <u>(71,375)</u> | <u>(72,448)</u> |
| Cash flows from investing activities: | | |
| Maturities of investments | 118,777 | 200,477 |
| Purchases of investments | (166,496) | (109,400) |
| Purchases of property and equipment | (5,192) | (794) |
| Net cash (used in) provided by investing activities | <u>(52,911)</u> | <u>90,283</u> |
| Cash flows from financing activities: | | |
| Payment of capital lease obligations | (1,650) | (1,466) |
| Repayment of proceeds from sale of future royalties | (7,000) | (3,000) |
| Issuance of common stock, net of issuance costs | 116,601 | - |
| Proceeds from shares issued under equity compensation plans | 7,961 | 2,621 |
| Net cash provided by (used in) financing activities | <u>115,912</u> | <u>(1,845)</u> |
| Effect of exchange rates on cash and cash equivalents | <u>6</u> | <u>5</u> |
| Net (decrease) increase in cash and cash equivalents | (8,368) | 15,995 |
| Cash and cash equivalents at beginning of period | 39,067 | 25,437 |
| Cash and cash equivalents at end of period | <u>\$ 30,699</u> | <u>\$ 41,432</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 8,622</u> | <u>\$ 9,070</u> |

SOURCE Nektar Therapeutics

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