August 9, 2012

# Nektar Therapeutics Reports Financial Results for the Second Quarter of 2012

SAN FRANCISCO, Aug. 9, 2012 /PRNewswire/ -- Nektar Therapeutics (Nasdaq: NKTR) today reported its financial results for the second quarter ended June 30, 2012.

Cash, cash equivalents, and investments at June 30, 2012 were $477.1 million as compared to $498.8 million at March 31, 2012. This cash balance does not include the proceeds from the $125.0 million issuance of Senior Secured Notes that closed on July 11, 2012.

"I continue to be extremely pleased with Nektar's performance," said Howard W. Robin, President and Chief Executive Officer of Nektar. "The Phase 3 program for naloxegol is on track and AstraZeneca and Nektar plan to announce high-level results from the pivotal efficacy studies in the fourth quarter of 2012. NKTR-181 received Fast-Track designation from the FDA reflecting the important medical need addressed by this new opioid molecule. In July, we further strengthened our financial position with the $125 million private placement of Senior Secured Notes with no equity dilution to our shareholders."

Revenue for the second quarter of 2012 was $23.7 million, an increase as compared to $17.3 million in the second quarter of 2011. Year-to-date revenue for 2012 was $41.6 million, an increase as compared to $28.6 million for the first half of 2011. The increases in 2012 compared to 2011 are due to a combination of increased product sales, royalties, and other collaboration revenues.

Total operating costs and expenses in the second quarter of 2012 were $50.7 million as compared to $51.6 million in the second quarter of 2011. Total operating costs and expenses for the first half of 2012 were $106.6 million as compared to $96.8 million in the first half of 2011. Total operating expenses in the first half of 2012 increased as a result of higher cost of goods related to increased product sales as well as increased development expenses.

Research and development expense in the second quarter of 2012 was $33.2 million as compared to $32.3 million for the second quarter of 2011. For the first half of 2012, R&D expense was $68.3 million as compared to $62.4 million for the first half of 2011.

R&D expense was higher in the second quarter and first half of 2012 as compared to the same periods in 2011 reflecting the costs of the NKTR-102 BEACON Phase 3 study, the production of devices for the Phase 3 study of Amikacin Inhale, the Phase 1 study for NKTR-181, preparations for the Phase 2 study for NKTR-181, and the Phase 1 study for NKTR-192.

General and administrative expense was $10.3 million in the second quarter of 2012, a decrease as compared to $11.2 million in the second quarter of 2011. G&A expense for the first half of 2012 was $20.7 million versus $22.9 million for the first half of 2011.

Net loss for the second quarter ended June 30, 2012 was $34.3 million or $0.30 loss per share. Net loss for the six months ended June 30, 2012 was $75.4 million or $0.66 loss per share.

The company also announced upcoming presentations at the following medical meetings and scientific congresses during the third and fourth quarters of 2012:

**American College of Clinical Pharmacy (ACCP) Annual Meeting, Palm Springs, CA:**

- Abstract Title: "*New Oral Opioid Analgesic NKTR-181: Bioequivalence Between Tablet and Aqueous Solution and Lack of Food Effect",* Odinecs, A., et al.
  - Date: September 24, 2012, 6:00 p.m. Pacific Time
- Abstract Title: "*Mixed-Effects PK/PD Analysis of NKTR-181, a New Oral Opioid Analgesic in Healthy Subjects*", Eldon, M., et al.
  - Date: September 24, 2012, 6:00 p.m. Pacific Time

**2012 Society for Neuroscience (SfN), New Orleans, LA:**

- Abstract Title: "*NKTR-171: A Novel Sodium Channel Blocker for Neuropathic Pain with Reduced CNS Side Effects*",

Gursahani, H., et al.
    - Poster Session 081:  "Mechanisms of Neuropathic Pain: Ion Channels"
    - Date: October 13, 2012, 1:00 p.m. — 5:00 p.m. Central Time
- Abstract Title: "*Preclinical Pharmacology of Mu Opioids — A Comparison of Morphine, Oxycodone, Hydrocodone and Fentanyl in Rodent Pain Models*", Choi, I., et al.
    - Poster Session 882:  "Opioid Pharmacology and Other Analgesics"
    - Date: October 17, 2012, 1:00 p.m. — 5:00 p.m. Central Time

**American Association of Pharmaceutical Scientists (AAPS), Chicago, IL**

- Abstract Title: "*Interspecies Comparison of Pharmacokinetics of the Novel Opioid Analgesic NKTR-181"*, Odinecs, A., et al.
    - Meeting Dates: October 14-18, 2012

**Conference Call to Discuss Second Quarter 2012 Financial Results**

Nektar management will host a conference call to review the results beginning at 5:00 p.m. Eastern Time (ET)/2:00 p.m. Pacific Time (PT) today, Thursday, August 9, 2012.

The 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 Sunday, September 9, 2012.

To access the conference call, follow these instructions:

Dial: (866) 761-0749 (U.S.); (617) 614-2707 (international)
Passcode: 68434730 (Nektar Therapeutics is the host)

An audio replay will also be available shortly following the call through Sunday, September 9, 2012 and can be accessed by dialing (888) 286-8010 (U.S.); or (617) 801-6888 (international) with a passcode of 80503060.

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 is a biopharmaceutical company developing novel therapeutics based on its PEGylation and advanced polymer conjugation technology platforms.  Nektar has a robust R&D pipeline of potentially high-value therapeutics in oncology, pain and other therapeutic areas. In the area of pain, Nektar has an exclusive worldwide license agreement with AstraZeneca for naloxegol (NKTR-118), an investigational drug candidate, which is being evaluated in Phase 3 clinical studies as a once-daily, oral tablet for the treatment of opioid-induced constipation.  This agreement also includes NKTR-119, an earlier stage development program that is a co-formulation of naloxegol and an opioid.  NKTR-181, a novel mu-opioid analgesic in development to treat chronic pain, is in Phase 2 development in chronic pain patients.  NKTR-192, a novel mu-opioid analgesic in development to treat acute pain is in Phase 1 clinical development.  In oncology, etirinotecan pegol (NKTR-102) is being evaluated in a Phase 3 clinical study for the treatment of metastatic breast cancer and in Phase 2 studies for the treatment of ovarian and colorectal cancers.

Nektar's technology has enabled eight approved products in the U.S. or Europe through partnerships with leading biopharmaceutical companies, including Affymax's OMONTYS® for anemia, UCB's Cimzia® for Crohn's disease and rheumatoid arthritis, Roche's PEGASYS® for hepatitis C and Amgen's Neulasta® for neutropenia.  Additional development-stage products that leverage Nektar's proprietary technology platform include Baxter's BAX 855, a long-acting PEGylated rFVIII program, which is in Phase 1 clinical development.

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.

***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 plan to report high level results for the naloxegol (NKTR-118) Phase 3 clinical development program in the fourth quarter of 2012; the therapeutic potential of NKTR-181; the strength of our financial position and our future ability to invest in the advancement of our proprietary drug candidates; 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 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) 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; and (iv) certain other important risks and uncertainties set forth in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2012. 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, 2012 | December 31, 2011 (1) |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 136,154 | $ 15,312 |
| Short-term investments | 296,720 | 225,856 |
| Accounts receivable | 11,361 | 4,938 |
| Inventory | 14,715 | 12,656 |
| Other current assets | 9,341 | 17,944 |
| Total current assets | 468,291 | 276,706 |
| Long-term investments | 44,245 | 173,768 |
| Property and equipment, net | 73,713 | 78,576 |
| Goodwill | 76,501 | 76,501 |
| Other assets | 5,693 | 999 |
| Total assets | $ 668,443 | $ 606,550 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 3,118 | $ 3,019 |
| Accrued compensation | 10,519 | 12,807 |
| Accrued expenses | 7,636 | 6,669 |
| Accrued clinical trial expenses | 12,607 | 11,953 |
| Deferred revenue, current portion | 20,691 | 19,643 |
| Convertible subordinated notes | 214,955 | 214,955 |

| | | |
|---|---|---|
| Other current liabilities | 7,335 | 6,486 |
| Total current liabilities | 276,861 | 275,532 |
| Capital lease obligations, less current portion | 13,174 | 14,582 |
| Liability related to sale of future royalties | 127,686 | - |
| Deferred revenue, less current portion | 108,215 | 108,188 |
| Other long-term liabilities | 10,223 | 10,437 |
| Total liabilities | 536,159 | 408,739 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock | - | - |
| Common stock | 11 | 11 |
| Capital in excess of par value | 1,606,800 | 1,597,428 |
| Accumulated other comprehensive loss | (620) | (1,103) |
| Accumulated deficit | (1,473,907) | (1,398,525) |
| Total stockholders' equity | 132,284 | 197,811 |
| Total liabilities and stockholders' equity | $ 668,443 | $ 606,550 |

(1) The consolidated balance sheet at December 31, 2011 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenue: | | | | |
| Product sales and royalties | $ 13,453 | $ 11,008 | $ 23,575 | $ 15,801 |
| License, collaboration and other | 10,231 | 6,323 | 18,058 | 12,829 |
| Total revenue | 23,684 | 17,331 | 41,633 | 28,630 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 7,203 | 8,140 | 15,910 | 11,403 |
| Research and development | 33,201 | 32,270 | 68,286 | 62,446 |
| General and administrative | 10,268 | 11,185 | 20,682 | 22,912 |
| Impairment of long-lived assets | - | - | 1,675 | - |
| Total operating costs and expenses | 50,672 | 51,595 | 106,553 | 96,761 |
| Loss from operations | (26,988) | (34,264) | (64,920) | (68,131) |
| Non-operating income (expense): | | | | |
| Interest income | 630 | 529 | 1,262 | 961 |
| Interest expense | (7,931) | (2,570) | (12,264) | (5,155) |
| Other income (expense), net | 97 | (16) | 757 | 118 |
| Total non-operating expense | (7,204) | (2,057) | (10,245) | (4,076) |
| Loss before provision for income taxes | (34,192) | (36,321) | (75,165) | (72,207) |
| Provision for income taxes | 93 | 60 | 217 | 208 |
| Net loss | $ (34,285) | $ (36,381) | $ (75,382) | $ (72,415) |

| | | | | |
|---|---|---|---|---|
| Basic and diluted net loss per share | $ (0.30) | $ (0.32) | $ (0.66) | $ (0.65) |
| Weighted average shares used in computing basic and diluted net loss per share | 114,649 | 114,153 | 114,590 | 111,430 |

**NEKTAR THERAPEUTICS**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(In thousands)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Comprehensive Loss | $ (34,862) | $ (36,433) | $ (74,899) | $ (72,617) |

**NEKTAR THERAPEUTICS**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (75,382) | $(72,415) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Non-cash interest expense on liability related to sale of future royalties | 7,278 | - |
| Non-cash royalty revenue related to sale of future royalties | (3,469) | - |
| Stock-based compensation | 8,035 | 9,682 |
| Depreciation and amortization | 6,952 | 7,649 |
| Impairment of long-lived assets | 1,675 | - |
| Other non-cash transactions | 565 | 620 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,423) | 16,642 |
| Inventory | (2,059) | (2,531) |
| Other assets | 8,176 | (2,191) |
| Accounts payable | 80 | (3,149) |
| Accrued compensation | (2,288) | 183 |
| Accrued expenses | 191 | 2,371 |
| Accrued clinical trial expenses | 654 | 1,688 |
| Deferred revenue | 1,075 | (7,549) |
| Other liabilities | (269) | (658) |
| Net cash used in operating activities | (55,209) | (49,658) |
| **Cash flows from investing activities:** | | |
| Purchases of investments | (120,410) | (509,681) |
| Maturities of investments | 179,766 | 156,962 |
| Sales of investments | - | 180,478 |
| Purchases of property and equipment | (3,172) | (6,845) |
| Net cash provided by (used in) investing activities | 56,184 | (179,086) |
| **Cash flows from financing activities:** | | |
| Payments of loan and capital lease obligations | (1,151) | (934) |
| Proceeds from sale of future royalties, net of transaction costs | 119,589 | - |
| Issuance of common stock, net of issuance costs | 1,337 | 223,549 |
| Net cash provided by financing activities | 119,775 | 222,615 |
| Effect of exchange rates on cash and cash equivalents | 92 | - |
| Net increase (decrease) in cash and cash equivalents | 120,842 | (6,129) |
| Cash and cash equivalents at beginning of period | 15,312 | 17,755 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of period | $ 136,154 | $ 11,626 |
| **Supplemental disclosure of cash flows information:** | | |
| Cash paid for interest | $ 5,179 | $ 5,371 |

SOURCE Nektar Therapeutics

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