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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

or

o **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 0-24006

NEKTAR THERAPEUTICS

(Exact name of registrant as specified in its charter)

Delaware	**94-3134940**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

455 Mission Bay Boulevard South
San Francisco, California 94158
(Address of principal executive offices)

415-482-5300
(Registrant's telephone number, including area code)

(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 ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No ☒

The number of outstanding shares of the registrant's Common Stock, $0.0001 par value, was 136,732,450 on July 28, 2016.

NEKTAR THERAPEUTICS
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Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). All statements other than statements of historical fact are “forward-looking statements” for purposes of this quarterly report on Form 10-Q, including any projections of market size, earnings, revenue, milestone payments, royalties, sales or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, preclinical development, clinical trials and manufacturing), any statements related to our financial condition and future working capital needs, any statements regarding potential future financing alternatives, any statements concerning proposed drug candidates, any statements regarding the timing for the start or end of clinical trials or submission of regulatory approval filings, any statements regarding future economic conditions or performance, any statements regarding the success of our collaboration arrangements, timing of commercial launches and product sales levels by our collaboration partners and future payments that may come due to us under these arrangements, any statements regarding our plans and objectives to initiate or continue clinical trials, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential” or “continue,” or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Part II, Item 1A “Risk Factors” below and for the reasons described elsewhere in this quarterly report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations. Except where the context otherwise requires, in this quarterly report on Form 10-Q, the “Company,” “Nektar,” “we,” “us,” and “our” refer to Nektar Therapeutics, a Delaware corporation, and, where appropriate, its subsidiaries.

Trademarks

The Nektar brand and product names, including but not limited to Nektar®, contained in this document are trademarks and registered trademarks of Nektar Therapeutics in the United States (U.S.) and certain other countries. This document also contains references to trademarks and service marks of other companies that are the property of their respective owners.

PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements—Unaudited:

NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,676	$ 55,570
Short-term investments	219,178	253,374
Accounts receivable, net	27,777	19,947
Inventory	10,262	11,346
Other current assets	5,427	9,814
Total current assets	318,320	350,051
Property, plant and equipment, net	67,774	71,336
Goodwill	76,501	76,501
Other assets	504	754
Total assets	$ 463,099	$ 498,642
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,328	$ 2,363
Accrued compensation	12,463	5,998
Accrued clinical trial expenses	13,470	8,220
Other accrued expenses	6,919	4,156
Interest payable	4,144	4,198
Capital lease obligations, current portion	3,616	4,756
Liability related to refundable upfront payment	12,500	—
Deferred revenue, current portion	16,015	21,428
Other current liabilities	7,827	10,127
Total current liabilities	79,282	61,246
Senior secured notes, net	242,567	241,699
Capital lease obligations, less current portion	2,756	1,073
Liability related to the sale of future royalties, net	111,590	116,029
Deferred revenue, less current portion	60,135	62,426
Other long-term liabilities	6,020	9,740
Total liabilities	502,350	492,213
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.0001 par value; 10,000 shares authorized; no shares designated, issued or outstanding at June 30, 2016 or December 31, 2015	—	—
Common stock, $0.0001 par value; 300,000 shares authorized; 136,602 shares and 135,289 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	13	13
Capital in excess of par value	1,898,342	1,876,072
Accumulated other comprehensive loss	(2,019)	(2,170)
Accumulated deficit	(1,935,587)	(1,867,486)
Total stockholders' equity (deficit)	(39,251)	6,429
Total liabilities and stockholders' equity (deficit)	$ 463,099	$ 498,642

The accompanying notes are an integral part of these unaudited condensed consolidated 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,	
	2016	2015	2016	2015
Revenue:				
Product sales	$ 12,867	$ 10,968	$ 26,966	$ 18,942
Royalty revenue	3,516	745	7,576	870
Non-cash royalty revenue related to sale of future royalties	8,115	4,740	14,650	8,702
License, collaboration and other revenue	8,270	6,208	42,457	102,948
Total revenue	32,768	22,661	91,649	131,462
Operating costs and expenses:				
Cost of goods sold	7,708	10,534	16,578	18,978
Research and development	52,350	45,412	101,618	92,423
General and administrative	11,035	10,184	21,262	20,487
Total operating costs and expenses	71,093	66,130	139,458	131,888
Loss from operations	(38,325)	(43,469)	(47,809)	(426)
Non-operating income (expense):				
Interest expense	(5,627)	(4,118)	(11,304)	(8,289)
Non-cash interest expense on liability related to sale of future royalties	(4,982)	(5,152)	(10,027)	(10,202)
Interest income and other income (expense), net	458	246	1,333	457
Total non-operating expense, net	(10,151)	(9,024)	(19,998)	(18,034)
Loss before provision for income taxes	(48,476)	(52,493)	(67,807)	(18,460)
Provision for income taxes	127	164	294	377
Net loss	$ (48,603)	$ (52,657)	$ (68,101)	$ (18,837)
Basic and diluted net loss per share	$ (0.36)	$ (0.40)	$ (0.50)	$ (0.14)
Weighted average shares outstanding used in computing net loss per share	136,350	131,643	136,072	131,502

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Comprehensive loss	$ (48,787)	$ (52,879)	$ (67,950)	$ (18,768)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	$ (68,101)	$ (18,837)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Non-cash royalty revenue related to sale of future royalties	(14,650)	(8,702)
Non-cash interest expense on liability related to sale of future royalties	10,027	10,202
Stock-based compensation	12,627	9,737
Depreciation and amortization	7,634	5,833
Other non-cash transactions	(1,260)	(621)
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,830)	(73)
Inventory	1,084	2,828
Other assets	4,637	190
Accounts payable	17	(10)
Accrued compensation	6,465	5,075
Accrued clinical trial expenses	5,250	1,238
Other accrued expenses	2,831	1,859
Interest payable	(54)	—
Liability related to refundable upfront payment	12,500	—
Deferred revenue	(7,704)	(4,434)
Other liabilities	(725)	11,772
Net cash (used in) provided by operating activities	(37,252)	16,057
Cash flows from investing activities:		
Purchases of investments	(72,806)	(124,468)
Maturities of investments	107,363	111,001
Sales of investments	—	5,215
Purchases of property, plant and equipment	(3,234)	(4,584)
Net cash provided by (used in) investing activities	31,323	(12,836)
Cash flows from financing activities:		
Payment of capital lease obligations	(3,517)	(2,484)
Proceeds from shares issued under equity compensation plans	9,643	7,798
Net cash provided by financing activities	6,126	5,314
Effect of exchange rates on cash and cash equivalents	(91)	(25)
Net increase in cash and cash equivalents	106	8,510
Cash and cash equivalents at beginning of period	55,570	12,365
Cash and cash equivalents at end of period	$ 55,676	$ 20,875
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 10,448	$ 8,320

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Note 1 — Organization and Summary of Significant Accounting Policies

Organization

We are a biopharmaceutical company headquartered in San Francisco, California and incorporated in Delaware. We are developing a pipeline of drug candidates that utilize our PEGylation and advanced polymer conjugate technology platforms with the objective to improve the benefits of drugs for patients.

Our research and development activities have required significant ongoing investment to date and are expected to continue to require significant investment. As a result, we expect to continue to incur substantial losses and negative cash flows from operations in the future. We have financed our operations primarily through cash generated from licensing, collaboration and manufacturing agreements and financing transactions. At June 30, 2016, we had approximately $274.9 million in cash and investments in marketable securities. Also, as of June 30, 2016, we had $256.4 million in debt, including $250.0 million in principal of senior secured notes and $6.4 million of capital lease obligations, of which $3.6 million is current.

Basis of Presentation and Principles of Consolidation

Our consolidated financial statements include the financial position, results of operations and cash flows of our wholly-owned subsidiaries: Nektar Therapeutics (India) Private Limited (Nektar India) and Nektar Therapeutics UK Limited. All intercompany accounts and transactions have been eliminated in consolidation.

We prepared our Condensed Consolidated Financial Statements following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (GAAP) for annual periods can be condensed or omitted. In the opinion of management, these financial statements include all normal and recurring adjustments that we consider necessary for the fair presentation of our financial position and operating results.

Our Condensed Consolidated Financial Statements are denominated in U.S. dollars. Accordingly, changes in exchange rates between the applicable foreign currency and the U.S. dollar will affect the translation of each foreign subsidiary's financial results into U.S. dollars for purposes of reporting our consolidated financial results. Translation gains and losses are included in accumulated other comprehensive loss in the stockholders' equity section of the Condensed Consolidated Balance Sheets. To date, such cumulative currency translation adjustments have not been significant to our consolidated financial position.

Our comprehensive loss consists of our net loss plus our foreign currency translation gains and losses and unrealized holding gains and losses on available-for-sale securities, neither of which were significant during the three and six months ended June 30, 2016 and 2015. In addition, there were no significant reclassifications out of accumulated other comprehensive loss to the statements of operations during the three and six months ended June 30, 2016 and 2015.

The accompanying Condensed Consolidated Financial Statements are unaudited. The Condensed Consolidated Balance Sheet data as of December 31, 2015 was derived from the audited consolidated financial statements which are included in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 29, 2016. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and the accompanying notes to those financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Revenue, expenses, assets, and liabilities can vary during each quarter of the year. The results and trends in these interim Condensed Consolidated Financial Statements are not necessarily indicative of the results to be expected for the full year or any other periods.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounting estimates and assumptions are inherently uncertain. Actual results could differ materially from those estimates and assumptions. Our estimates

include those related to estimated selling prices of deliverables in collaboration agreements, estimated periods of performance, the net realizable value of inventory, the impairment of investments, the impairment of goodwill and long-lived assets, contingencies, accrued clinical trial expenses, estimated non-cash royalty revenue and interest expense from our liability related to our sale of future royalties, stock-based compensation, and ongoing litigation, among other estimates. We base our estimates on historical experience and on other assumptions that management believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources. As appropriate, estimates are assessed each period and updated to reflect current information and any changes in estimates will generally be reflected in the period first identified.

Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period presentation, including as a result of the adoption of new accounting guidance related to debt issuance costs described below. Such reclassifications do not materially impact previously reported revenue, operating income (loss), net income (loss), total assets, liabilities or stockholders' equity (deficit).

Segment Information

We operate in one business segment which focuses on applying our technology platforms to improve the performance of established and novel drug candidates. We operate in one segment because our business offerings have similar economics and other characteristics, including the nature of products and manufacturing processes, types of customers, distribution methods and regulatory environment. We are comprehensively managed as one business segment by our Chief Executive Officer and his management team.

Significant Concentrations

Our customers are primarily pharmaceutical and biotechnology companies that are located in the U.S. and Europe. Our accounts receivable balance contains billed and unbilled trade receivables from product sales, milestones, other contingent payments and royalties, as well as time and materials based billings from collaborative research and development agreements. When appropriate, we provide for an allowance for doubtful accounts by reserving for specifically identified doubtful accounts. We generally do not require collateral from our customers. We perform a regular review of our customers' payment histories and associated credit risk. We have not experienced significant credit losses from our accounts receivable and our allowance for doubtful accounts was not significant at either June 30, 2016 or December 31, 2015.

We are dependent on our suppliers and contract manufacturers to provide raw materials, drugs and devices of appropriate quality and reliability and to meet applicable contract and regulatory requirements. In certain cases, we rely on single sources of supply of one or more critical materials. Consequently, in the event that supplies are delayed or interrupted for any reason, our ability to develop and produce our drug candidates or our ability to meet our supply obligations could be significantly impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Revenue Recognition

Our revenue is derived from our arrangements with pharmaceutical and biotechnology collaboration partners and may result from one or more of the following: upfront and license fees, payments for contract research and development, milestone and other contingent payments, manufacturing and supply payments, and royalties. Our performance obligations under our collaborations may include licensing our intellectual property, manufacturing and supply obligations, and research and development obligations. In order to account for the multiple-element arrangements, we identify the deliverables included within the arrangement and evaluate which deliverables represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver goods or services, a right or license to use an asset, or another performance obligation. Revenue is recognized separately for each identified unit of accounting when the basic revenue recognition criteria are met: there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured.

At the inception of each new multiple-element arrangement or the material modification of an existing multiple-element arrangement, we allocate all consideration received under multiple-element arrangements to all units of accounting based on the relative selling price method, generally based on our best estimate of selling price (ESP). The objective of ESP is to determine the price at which we would transact a sale if the product or service was sold on a stand-alone basis. We determine ESP for the elements in our collaboration arrangements by considering multiple factors including, but not limited to, technical complexity of the performance obligation and similarity of elements to those performed under previous arrangements. Since we apply significant judgment in arriving at the ESPs, any material change in our estimates would significantly affect the allocation of the total consideration to the different elements of a multiple element arrangement.

Product sales

Product sales are primarily derived from fixed price and cost-plus manufacturing and supply agreements with our collaboration partners. We have not experienced any significant returns from our customers.

Royalty revenue

Generally, we are entitled to royalties from our collaboration partners based on the net sales of their approved drugs that are marketed and sold in one or more countries where we hold royalty rights. We recognize royalty revenue when the cash is received or when the royalty amount to be received is estimable and collection is reasonably assured. With respect to the non-cash royalties related to sale of future royalties described in Note 4, revenue is recognized when estimable, otherwise, revenue is recognized during the period in which the related royalty report is received, which generally occurs in the quarter after the applicable product sales are made.

License, collaboration and other revenue

The amount of upfront fees and other payments received by us in license and collaboration arrangements that are allocated to continuing performance obligations, such as manufacturing and supply obligations, are deferred and generally recognized ratably over our expected performance period under each respective arrangement. We make our best estimate of the period over which we expect to fulfill our performance obligations, which may include technology transfer assistance, research activities, clinical development activities, and manufacturing activities from development through the commercialization of the product. Given the uncertainties of these collaboration arrangements, significant judgment is required to determine the duration of the performance period and this estimate is periodically re-evaluated.

Contingent consideration received from the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved, which we believe is consistent with the substance of our performance under our various license and collaboration agreements. A milestone is defined as an event (i) that can only be achieved based in whole or in part either on the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to the entity. A milestone is substantive if the consideration earned from the achievement of the milestone is consistent with our performance required to achieve the milestone or the increase in value to the collaboration resulting from our performance, relates solely to our past performance, and is reasonable relative to all of the other deliverables and payments within the arrangement.

Our license and collaboration agreements with our partners provide for payments to us upon the achievement of development milestones, such as the completion of clinical trials or regulatory submissions, approvals by regulatory authorities, and commercial launches of drugs. Given the challenges inherent in developing and obtaining regulatory approval for drug products and in achieving commercial launches, there was substantial uncertainty whether any such milestones would be achieved at the time of execution of these licensing and collaboration agreements. In addition, we evaluated whether the development milestones met the remaining criteria to be considered substantive. As a result of our analysis, we consider our remaining development milestones under all of our license and collaboration agreements to be substantive and, accordingly, we expect to recognize as revenue future payments received from each milestone only if and as such milestone is achieved.

Our license and collaboration agreements with certain partners also provide for contingent payments to us based solely upon the performance of the respective partner. For such contingent amounts, we expect to recognize the payments as revenue when earned under the applicable contract, which is generally upon completion of performance by the respective partner, provided that collection is reasonably assured.

Our license and collaboration agreements with our partners also provide for payments to us upon the achievement of specified sales volumes of approved drugs. We consider these payments to be similar to royalty payments and we will recognize such sales-based payments upon achievement of such sales volumes, provided that collection is reasonably assured.

Research and Development Expense

Research and development costs are expensed as incurred and include salaries, benefits and other operating costs such as outside services, supplies and allocated overhead costs. We perform research and development for our proprietary drug candidates and technology development and for certain third parties under collaboration agreements. For our proprietary drug candidates and our internal technology development programs, we invest our own funds without reimbursement from a third party.

We record accruals for the estimated costs of our clinical trial activities performed by third parties. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of certain clinical trial activities. We generally accrue costs associated with the start-up and reporting phases of the clinical trials ratably over the estimated duration of the start-up and reporting phases. We generally accrue costs associated with the treatment phase of clinical trials based on the total estimated cost of the treatment phase on a per patient basis and we expense the per patient cost ratably over the estimated patient treatment period based on patient enrollment in the trials. In specific circumstances, such as for certain time-based costs, we recognize clinical trial expenses using a methodology that we consider to be more reflective of the timing of costs incurred. Advance payments for goods or services that will be used or rendered for future research and development activities are capitalized as prepaid expenses and recognized as expense as the related goods are delivered or the related services are performed. We base our estimates on the best information available at the time. However, additional information may become available to us which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period identified.

Long-Lived Assets

We assess the impairment of long-lived assets, primarily property, plant and equipment and goodwill, whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When such events occur, we determine whether there has been an impairment in value by comparing the carrying value of the asset with its fair value, as measured by the anticipated undiscounted net cash flows associated with the asset. In the case of goodwill impairment, we perform an impairment test at least annually, on October 1 of each year, and market capitalization is generally used as the measure of fair value. If an impairment in value exists, the asset is written down to its estimated fair value.

Income Taxes

For the three and six months ended June 30, 2016 and 2015, we recorded an income tax provision for our Nektar India operations at an effective tax rate of approximately 35%. The U.S. federal deferred tax assets generated from our net operating losses have been fully reserved, as we believe it is not more likely than not that the benefit will be realized.

Adoption of New Accounting Principle

In April 2015, the Financial Accounting Standards Board (FASB) issued guidance to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This guidance is effective for our interim and annual periods beginning January 1, 2016. Upon adoption, the new guidance must be applied retrospectively to all periods presented. Accordingly, as of January 1, 2016, we reclassified $0.4 million and $3.0 million of capitalized debt issuance costs to senior secured notes, net, and liability related to the sale of future royalties, net, respectively, from our other assets balance. This reclassification has also been applied retrospectively to these balances in our Condensed Consolidated Balance Sheet as of December 31, 2015.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance codified in Accounting Standards Codification (ASC) 606, *Revenue Recognition — Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*, and is effective for public companies for fiscal years beginning after December 15, 2017. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. We are currently evaluating the impact of the provisions of ASC 606.

In March 2016, the FASB issued guidance to simplify several aspects of employee share-based payment accounting, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance will become effective for us beginning in the first quarter of 2017. Early adoption is permitted. We are currently evaluating the impact of the adoption of this standard.

In February 2016, the FASB issued guidance to amend a number of aspects of lease accounting, including requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. The guidance will become effective for us beginning in the first quarter of 2019 and is required to be adopted using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact of the adoption of this standard.

Note 2 — Cash and Investments in Marketable Securities

Cash and investments in marketable securities, including cash equivalents, are as follows (in thousands):

	Estimated Fair Value at	
	June 30, 2016	December 31, 2015
Cash and cash equivalents	$ 55,676	$ 55,570
Short-term investments	219,178	253,374
Total cash and investments in marketable securities	$ 274,854	$ 308,944

We invest in liquid, high quality debt securities. Our investments in debt securities are subject to interest rate risk. To minimize the exposure due to an adverse shift in interest rates, we invest in securities with maturities of two years or less and maintain a weighted average maturity of one year or less. As of June 30, 2016 and December 31, 2015, all of our investments had maturities of one year or less.

Gross unrealized gains and losses were not significant at either June 30, 2016 or December 31, 2015. During the three and six months ended June 30, 2016 and the three months ended June 30, 2015, we did not sell any of our available-for-sale securities. During the six months ended June 30, 2015, we sold available-for-sale securities totaling $5.2 million and gross realized gains and losses on those sales were not significant. The cost of securities sold is based on the specific identification method.

Under the terms of our 7.75% senior secured notes due October 2020, we are required to maintain a minimum cash and investments in marketable securities balance of $60.0 million during the term of the notes.

Our portfolio of cash and investments in marketable securities includes (in thousands):

		Estimated Fair Value at	
	Fair Value Hierarchy Level	June 30, 2016	December 31, 2015
Corporate notes and bonds	2	$ 121,333	$ 181,969
Corporate commercial paper	2	78,052	61,150
Obligations of U.S. government agencies	2	16,863	7,325
Available-for-sale investments		216,248	250,444
Money market funds	1	54,632	53,728
Certificate of deposit	N/A	2,930	2,930
Cash	N/A	1,044	1,842
Total cash and investments in marketable securities		$ 274,854	$ 308,944

Level 1 —Quoted prices in active markets for identical assets or liabilities.

Level 2 —Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 —Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All of our investments are categorized as Level 1 or Level 2, as explained in the table above. We use a market approach to value our Level 2 investments. The disclosed fair value related to our investments is based primarily on the reported fair values in our period-end brokerage statements, which are based on market prices from a variety of industry standard data providers and generally represent quoted prices for similar assets in active markets or have been derived from observable market data. We independently validate these fair values using available market quotes and other information. During the three and six months ended June 30, 2016 and 2015, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

Additionally, as of June 30, 2016, based on a discounted cash flow analysis using Level 3 inputs including financial discount rates, we believe the $250.0 million in principal amount of our 7.75% senior secured notes due October 2020 is consistent with its fair value.

Note 3 — Inventory

Inventory consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Raw materials	$ 2,630	$ 3,236
Work-in-process	6,632	6,087
Finished goods	1,000	2,023
Total inventory	$ 10,262	$ 11,346

Inventory is generally manufactured upon receipt of firm purchase orders from our collaboration partners. Inventory includes direct materials, direct labor, and manufacturing overhead and cost is determined on a first-in, first-out basis. Inventory is valued at the lower of cost or market and defective or excess inventory is written down to net realizable value based on historical experience or projected usage.

Note 4 — Liability Related to Sale of Future Royalties

On February 24, 2012, we entered into a Purchase and Sale Agreement (the Purchase and Sale Agreement) with RPI Finance Trust (RPI), an affiliate of Royalty Pharma, pursuant to which we sold, and RPI purchased, our right to receive royalty payments (the Royalty Entitlement) arising from the worldwide net sales, from and after January 1, 2012, of (a) CIMZIA®, under our license, manufacturing and supply agreement with UCB Pharma (UCB), and (b) MIRCERA®, under our license, manufacturing and supply agreement with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (together referred to as Roche). We received aggregate cash proceeds of $124.0 million for the Royalty Entitlement. As part of this sale, we incurred approximately $4.4 million in transaction costs, which will be amortized to interest expense over the estimated life of the Purchase and Sale Agreement. Although we sold all of our rights to receive royalties from the CIMZIA® and MIRCERA® products, as a result of our ongoing manufacturing and supply obligations related to the generation of these royalties, we will continue to account for these royalties as revenue. We recorded the $124.0 million in proceeds from this transaction as a liability (Royalty Obligation) that will be amortized using the interest method over the estimated life of the Purchase and Sale Agreement as royalties from the CIMZIA® and MIRCERA® products are remitted directly to RPI. During the six months ended June 30, 2016 and 2015, we recognized $14.7 million and $8.7 million, respectively, in non-cash royalties from net sales of CIMZIA® and MIRCERA® and we recorded $10.0 million and $10.2 million, respectively, of related non-cash interest expense.

Since its inception, our estimate of the total interest expense on the Royalty Obligation resulted in an effective annual interest rate of approximately 17%. We periodically assess the estimated royalty payments to RPI from UCB and Roche and to the extent such payments are greater or less than our initial estimates, or the timing of such payments is materially different than our original estimates, we will prospectively adjust the amortization of the Royalty Obligation.

Pursuant to the Purchase and Sale Agreement, in March 2014 and March 2013, we were required to pay RPI $7.0 million and $3.0 million, respectively, as a result of worldwide net sales of MIRCERA® for the 12 month periods ended December 31, 2013 and 2012 not reaching certain minimum thresholds. The Purchase and Sale Agreement does not include any other potential payments related to minimum net sales thresholds and, therefore, we do not expect to make any further payments to RPI related to this agreement.

In addition, the Purchase and Sale Agreement grants RPI the right to receive certain reports and other information relating to the Royalty Entitlement and contains other representations and warranties, covenants and indemnification obligations that are customary for a transaction of this nature. To our knowledge, we are currently in compliance with these provisions of the Purchase and Sale

Agreement; however, if we were to breach our obligations, we could be required to pay damages to RPI that are not limited to the purchase price we received in the sale transaction.

Note 5 — Commitments and Contingencies

Legal Matters

From time to time, we are involved in lawsuits, arbitrations, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are reviewed at least quarterly and adjusted to reflect the impact of settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period, there exists the possibility of a material adverse impact on the results of our operations of that period and on our cash flows and liquidity.

On August 14, 2015, Enzon, Inc. filed a breach of contract complaint in the Supreme Court of the State of New York (Court) claiming damages of $1.5 million plus interest for unpaid licensing fees through the date of the complaint. Enzon alleged that we failed to pay a post-patent expiration immunity fee related to one of the licenses. Following a hearing held on December 21, 2015, the Court granted Nektar's motion to dismiss the Enzon complaint. Enzon has filed an appeal to the Court's dismissal decision.

Indemnifications in Connection with Commercial Agreements

As part of our collaboration agreements with our partners related to the license, development, manufacture and supply of drugs based on our proprietary technologies and drug candidates, we generally agree to defend, indemnify and hold harmless our partners from and against third party liabilities arising out of the agreement, including product liability (with respect to our activities) and infringement of intellectual property to the extent the intellectual property is developed by us and licensed to our partners. The term of these indemnification obligations is generally perpetual any time after execution of the agreement. There is generally no limitation on the potential amount of future payments we could be required to make under these indemnification obligations.

From time to time we enter into other strategic agreements such as divestitures and financing transactions pursuant to which we are required to make representations and warranties and undertake to perform or comply with certain covenants. In the event it is determined that we breached certain of the representations and warranties or covenants made by us in any such agreements, we could incur substantial indemnification liabilities depending on the timing, nature, and amount of any such claims.

To date, we have not incurred costs to defend lawsuits or settle claims related to these indemnification obligations. Because the aggregate amount of any potential indemnification obligation is not a stated amount, the overall maximum amount of any such obligations cannot be reasonably estimated. No liabilities have been recorded for these obligations in our Condensed Consolidated Balance Sheets at either June 30, 2016 or December 31, 2015.

Note 6 — License and Collaboration Agreements

We have entered into various collaboration agreements including license agreements and collaborative research, development and commercialization agreements with various pharmaceutical and biotechnology companies. Under these collaboration arrangements, we are entitled to receive license fees, upfront payments, milestone and other contingent payments, royalties, sales milestones, and payments for the manufacture and supply of our proprietary PEGylation materials and/or reimbursement for research and development activities. All of our collaboration agreements are generally cancelable by our partners without significant financial penalty. Our costs of performing these services are generally included in research and development expense, except that costs for product sales to our collaboration partners are included in cost of goods sold.

In accordance with our collaboration agreements, we recognized license, collaboration and other revenue as follows (in thousands):

Partner	Drug or Drug Candidate	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
AstraZeneca AB	MOVANTIK™ (NKTR-118) and MOVANTIK™ fixed-dose combination program (NKTR-119)	$ —	$ —	$ 28,000	$ 90,000
Roche	PEGASYS® and MIRCERA®	1,919	3,197	3,842	6,408
Daiichi Sankyo Europe GmbH	ONZEALD™ (NKTR-102)	3,258	—	3,258	—
Amgen, Inc.	Neulasta®	1,250	1,250	2,500	2,500
Bayer Healthcare LLC	BAY41-6551 (Amikacin Inhale)	357	395	714	1,205
Baxalta Incorporated	ADYNOVATE™	207	88	313	197
Other		1,279	1,278	3,830	2,638
License, collaboration and other revenue		$ 8,270	$ 6,208	$ 42,457	$ 102,948

As of June 30, 2016, our collaboration agreements with partners included potential future payments for development milestones totaling approximately $147.0 million, including amounts from our agreements with Daiichi, Bayer, Baxalta and Ophthotech described below. In addition, under our collaboration agreements we are entitled to receive contingent development payments and contingent sales milestones and royalty payments, including those related to MOVANTIK™ and the MOVANTIK™ fixed-dose combination drug development programs, as described below.

There have been no material changes to our collaboration agreements in the six months ended June 30, 2016, except as described below.

***Daiichi Sankyo Europe GmbH**: ONZEALD™ (etirinotecan pegol), also referred to as NKTR-102*

Effective May 30, 2016, we entered into a collaboration and license agreement with Daiichi Sankyo Europe GmbH, a German limited liability company (Daiichi), under which we granted Daiichi exclusive commercialization rights in the European Economic Area, Switzerland, and Turkey (collectively, the European Territory) to our proprietary product candidate ONZEALD™ (etirinotecan pegol), which is also known as NKTR-102, a long-acting topoisomerase I inhibitor in clinical development for the treatment of adult patients with advanced breast cancer who have brain metastases (BCBM). Nektar retains all rights to ONZEALD™ in all countries outside the European Territory including the United States.

Under the terms of the agreement and in consideration for the exclusive commercialization rights in the European Territory, Daiichi will pay Nektar a $20.0 million up-front payment and Nektar will be eligible to receive up to an aggregate of $60.0 million in regulatory and commercial milestones, including a $10.0 million payment upon the first commercial sale of ONZEALD™ following conditional marketing approval by the European Commission (EC), a $25.0 million payment upon the first commercial sale following final marketing authorization approval of ONZEALD™ by the EC, and a $25.0 million sales milestone upon Daiichi's first achievement of a certain specified annual net sales target. We are also eligible to receive a 20% royalty on net sales of ONZEALD™ by Daiichi in all countries in the European Territory except for net sales in Turkey where Nektar is eligible to receive a 15% royalty. The parties will enter into a supply agreement whereby we will be responsible for supplying Daiichi with its requirements for ONZEALD™ on a fully burdened reimbursed cost basis. Daiichi will be responsible for all commercialization activities for ONZEALD™ in the European Territory and will bear all associated costs. In addition, we are responsible for funding and conducting a Phase 3 confirmatory trial in patients with BCBM (Confirmatory Trial).

Daiichi may terminate the agreement in the event that the EC does not grant conditional marketing approval for ONZEALD™ based on the Confirmatory Trial or the conditional marketing approval for ONZEALD™ is not granted prior to a pre-specified future date (Daiichi Pre-Conditional Approval Termination). Nektar may terminate the Agreement in the event that the EC requires changes in the Confirmatory Trial that materially increase the costs of such trial and Daiichi elects not to reimburse Nektar for such incremental costs (Nektar Pre-Conditional Approval Termination). In the event of a Daiichi Pre-Conditional Approval Termination or a Nektar Pre-Conditional Approval Termination, we would be obligated to pay Daiichi a $12.5 million termination payment. Following conditional marketing approval of ONZEALD™ by the EC, we would no longer have such termination payment obligation. Each party has certain other termination rights based on the safety or efficacy findings including the outcome of the Confirmatory Trial and any material uncured breaches of the Agreement. The $20.0 million upfront payment due from Daiichi to us and the $12.5

million contingent termination payment from us to Daiichi are recorded in our accounts receivable, net and liability related to refundable upfront payment balances, respectively, in our Condensed Consolidated Balance Sheet at June 30, 2016.

We identified our grant of the exclusive license to Daiichi on May 30, 2016 and our ongoing clinical and regulatory development service obligations as the significant, non-contingent deliverables under the agreement and determined that each represents a separate unit of accounting. We made our best estimate of the selling price for the license grant based on a discounted cash flow analysis of projected ONZEALD™ sales and estimated the selling price for the development services based on our experience with the costs of similar clinical studies and regulatory activities. Based on these estimates, we allocated the $7.5 million non-refundable portion of the $20.0 million upfront payment due from Daiichi to these items based on their relative selling prices. As a result, we recognized $3.3 million of revenue in the three months ended June 30, 2016 from this arrangement, primarily related to the delivery of the license. As of June 30, 2016, we have deferred revenue of approximately $4.2 million related to our development service obligations under this agreement, which we expect to recognize through May 2021, the estimated end of our development obligations. If and when the remaining $12.5 million portion of the upfront payment becomes non-refundable, we expect to allocate this amount between the license and development service obligation consistent with the estimated selling prices of these deliverables. The license related amount will be recognized immediately and the development service related amount will be recorded as deferred revenue and recognized ratably over the remaining obligation period.

We determined that the milestones noted above payable to us by Daiichi upon the first commercial sales of ONZEALD™ following conditional marketing approval and following final marketing authorization approval of ONZEALD™ by the EC are substantive milestones that will be recognized if and when achieved. In addition, we determined that the sales milestone due to us upon Daiichi's first achievement of a certain specified annual net sales target should be considered a contingent payment and will be recognized if and when achieved.

***AstraZeneca AB**: MOVANTIK™ (naloxegol oxalate), previously referred to as naloxegol and NKTR-118, and MOVANTIK™ fixed-dose combination program, previously referred to as NKTR-119*

We are a party to an agreement with AstraZeneca AB (AstraZeneca) under which we granted AstraZeneca a worldwide, exclusive license under our patents and other intellectual property to develop, market, and sell MOVANTIK™ and MOVANTIK™ fixed-dose combination program. AstraZeneca is responsible for all research, development and commercialization and is responsible for all drug development and commercialization decisions for MOVANTIK™ and the MOVANTIK™ fixed-dose combination program. AstraZeneca paid us an upfront payment of $125.0 million, which we received in the fourth quarter of 2009 and which was fully recognized as of December 31, 2010. In addition, we have received the payments described further below based on development events related to MOVANTIK™ completed solely by AstraZeneca. We are entitled to receive up to $75.0 million of commercial launch contingent payments related to the MOVANTIK™ fixed-dose combination program, based on development events to be pursued and completed solely by AstraZeneca. In addition, we are entitled to significant and escalating double-digit royalty payments and sales milestone payments based on annual worldwide net sales of MOVANTIK™ and MOVANTIK™ fixed-dose combination products.

On September 16, 2014, the United States Food and Drug Administration (FDA) approved MOVANTIK™ for the treatment of opioid-induced constipation (OIC) in adult patients with chronic, non-cancer pain. On December 9, 2014, AstraZeneca announced that MOVENTIG® (the naloxegol brand name in the European Union or EU) has been granted Marketing Authorisation by the European Commission (EC) for the treatment of opioid-induced constipation (OIC) in adult patients who have had an inadequate response to laxative(s). In March 2015, AstraZeneca announced that MOVANTIK™ launched in the United States which resulted in our receipt of a $100.0 million non-refundable commercial launch payment on March 31, 2015, which was recognized as revenue in March 2015. In March 2015, we agreed to pay AstraZeneca a total of $10.0 million to fund U.S. television advertising in consideration for certain additional commercial information rights. We recorded this $10.0 million obligation as a liability, and made the initial $5.0 million payment to AstraZeneca in July 2015. The remaining $5.0 million, which was paid in July 2016, is included in other current liabilities in our Condensed Consolidated Balance Sheet at June 30, 2016. We determined that this $10.0 million obligation should be recorded as a reduction of revenue, which we recorded in the three months ended March 31, 2015. In August 2015, we received and recognized as revenue an additional $40.0 million non-refundable payment triggered by the first commercial sale of MOVENTIG® in Germany.

On March 1, 2016, AstraZeneca announced that it had entered into an agreement with ProStrakan Group plc (ProStrakan), a subsidiary of Kyowa Hakko Kirin Co. Ltd., granting ProStrakan exclusive marketing rights to MOVENTIG® in the EU, Iceland, Liechtenstein, Norway and Switzerland. Under the terms of AstraZeneca's agreement with ProStrakan, ProStrakan made a $70.0 million upfront payment to AstraZeneca and will make additional payments based on achieving market access milestones, tiered net sales royalties, as well as sales milestones. Under our license agreement with AstraZeneca, AstraZeneca and we will share the upfront payment, market access milestones, royalties and sales milestones from ProStrakan with AstraZeneca receiving 60% and Nektar receiving 40%. This payment sharing arrangement is in lieu of other royalties payable by AstraZeneca to us and a portion of the sales

milestones as described below. Our 40% share of royalty payments made by ProStrakan to AstraZeneca will be financially equivalent to us receiving high single-digit to low double-digit royalties dependent on the level of ProStrakan's net sales. ProStrakan's MOVENTIG® net sales will be included for purposes of achieving the annual global sales milestones payable to us by AstraZeneca and will also be included for purposes of determining the applicable ex-U.S. royalty rate, from the tier schedule in our AstraZeneca license agreement, that will be applied to ex-U.S. sales outside of the ProStrakan territory. The global sales milestones under our license agreement with AstraZeneca will be reduced in relation to the amount of ProStrakan MOVENTIG® net sales that contribute to any given annual sales milestone target. As a result, we were entitled to receive 40% (or $28.0 million) of the $70.0 million payment received by AstraZeneca from ProStrakan in March 2016, recognized this amount as revenue in March 2016 and received this $28.0 million in April 2016. As of June 30, 2016, we do not have deferred revenue related to our agreement with AstraZeneca.

In general, other than as described above and in this paragraph, AstraZeneca has full responsibility for all research, development and commercialization costs under our license agreement. As part of its approval of MOVANTIK™, the FDA required AstraZeneca to perform a post-marketing, observational epidemiological study comparing MOVANTIK™ to other treatments of OIC in patients with chronic, non-cancer pain. As a result, the royalty rate payable to us from net sales of MOVANTIK™ in the U.S. by AstraZeneca will be reduced by up to two percentage points to fund 33% of the external costs incurred by AstraZeneca to fund such post approval study once it is initiated, subject to a $35.0 million aggregate cap. Any costs incurred by AstraZeneca can only be recovered by the reduction of the royalty paid to us. In no case can amounts be recovered by the reduction of a contingent payment due from AstraZeneca to us or through a payment from us to AstraZeneca.

***Baxalta Incorporated**: Hemophilia*

We are a party to an exclusive research, development, license and manufacturing and supply agreement with Baxalta Incorporated (Baxalta) executed in September 2005 to develop products designed to improve therapies for Hemophilia A patients using our PEGylation technology. Under the terms of the agreement, we are entitled to research and development funding and are responsible for supplying Baxalta with its requirements for our proprietary materials. Baxalta is responsible for all clinical development, regulatory, and commercialization expenses.

This Hemophilia A program includes ADYNOVATE™, which was approved by the FDA in November 2015 for use in adults and adolescents, aged 12 years and older, who have Hemophilia A, and is now marketed in the U.S. As a result of the FDA's approval, we achieved and recognized a $10.0 million development milestone in November 2015, which was received in January 2016. In addition, under the terms of this agreement, as of June 30, 2016, we are entitled to a $10.0 million development milestone due upon marketing authorization in the EU, as well as sales milestones upon achievement of annual sales targets and royalties based on annual worldwide net sales of products resulting from this agreement. As of June 30, 2016, we do not have deferred revenue related to this agreement.

***Roche**: PEGASYS® and MIRCERA®*

In February 2012, we entered into a toll-manufacturing agreement with Roche under which we will manufacture the proprietary PEGylation material used by Roche to produce MIRCERA®. Roche entered into the toll-manufacturing agreement with the objective of establishing us as a secondary back-up supply source on a non-exclusive basis. Under the terms of our toll-manufacturing agreement, Roche paid us an upfront payment of $5.0 million and an additional $22.0 million in performance-based milestone payments upon our achievement of certain manufacturing readiness, validation and production milestones, including the delivery of specified quantities of PEGylation materials, all of which were completed as of January 2013. Roche will also pay us additional consideration for any future orders of the PEGylation materials for MIRCERA® beyond the initial quantities manufactured through January 2013. Roche has the right to terminate the toll-manufacturing agreement due to an uncured material default by us. In addition, in August 2013, we agreed to deliver additional quantities of PEGylation materials used by Roche to produce PEGASYS® and MIRCERA®, all of which were delivered in the last quarter of 2013, for total consideration of $18.6 million. As of June 30, 2016, we have deferred revenue of approximately $3.8 million related to this agreement, which we expect to recognize through December 2016, the estimated end of our obligations under this agreement.

In February 1997, we entered into a license, manufacturing and supply agreement with Roche, under which we granted Roche a worldwide, exclusive license to certain intellectual property related to our proprietary PEGylation materials used in the manufacture and commercialization of PEGASYS®. Our performance obligations under this PEGASYS® agreement ended on December 31, 2015.

***Amgen, Inc**.: Neulasta®*

In October 2010, we amended and restated an existing supply and license agreement by entering into a supply, dedicated suite and manufacturing guarantee agreement (the amended and restated agreement) and a license agreement with Amgen Inc. and Amgen Manufacturing, Limited (together referred to as Amgen). Under the terms of the amended and restated agreement, we received a $50.0

million payment in the fourth quarter of 2010 in return for our guaranteeing the supply of certain quantities of our proprietary PEGylation materials to Amgen. As of June 30, 2016, we have deferred revenue of approximately $21.7 million related to this agreement, which we expect to recognize through October 2020, the estimated end of our obligations under this agreement.

***Bayer Healthcare LLC**: BAY41-6551 (Amikacin Inhale)*

In August 2007, we entered into a co-development, license and co-promotion agreement with Bayer Healthcare LLC (Bayer) to develop a specially-formulated inhaled Amikacin. We are responsible for development and manufacturing and supply of the nebulizer device included in the Amikacin product. In April 2013, Bayer initiated a Phase 3 clinical trial in the treatment of intubated and mechanically ventilated patients with Gram-negative pneumonia. As of June 30, 2016, we have received an upfront payment of $40.0 million (which was paid to us in 2007) and milestone payments totaling $30.0 million (the last of which was paid to us in 2013). In addition, in June 2013, we made a $10.0 million payment to Bayer for the reimbursement of some of its costs of the Phase 3 clinical trial.

We are entitled to receive a total of up to an additional $50.0 million of development milestones upon achievement of certain development objectives, as well as sales milestones upon achievement of annual sales targets and royalties based on annual worldwide net sales of Amikacin Inhale. As of June 30, 2016, we have deferred revenue of approximately $18.6 million related to this agreement, which we expect to recognize through June 2029, the estimated end of our obligations under this agreement.

***Ophthotech Corporation**: Fovista®*

We are a party to an agreement with Ophthotech Corporation (Ophthotech), dated September 30, 2006, under which Ophthotech received a worldwide, exclusive license to certain of our proprietary PEGylation technology to develop, manufacture and sell Fovista®. Under the terms of our agreement, we are the exclusive supplier of all of Ophthotech's clinical and commercial requirements for our proprietary PEGylation reagent used in Fovista®, which is currently in Phase 3 clinical development. On May 19, 2014, Ophthotech entered into a Licensing and Commercialization Agreement with Novartis Pharma AG for Fovista®. Under our agreement with Ophthotech, in June 2014, we received a $19.8 million payment in connection with this licensing agreement. As of June 30, 2016, we have deferred revenue of approximately $17.5 million related to this agreement, which we expect to recognize through March 2029, the estimated end of our obligations under our agreement with Ophthotech.

In addition, we are entitled to up to $9.5 million in additional payments based upon Ophthotech's potential achievement of certain regulatory and sales milestones, including a $2.5 million milestone due upon acceptance for review of a regulatory approval application in the U.S. or EU. We are also entitled to royalties on net sales of Fovista® that vary based on sales levels, if commercialized.

Other

In addition, as of June 30, 2016, we have a number of collaboration agreements, including with our collaboration partner UCB, under which we are entitled to up to a total of $45.5 million of development milestones upon achievement of certain development objectives, as well as sales milestones upon achievement of annual sales targets and royalties based on net sales of commercialized products, if any. However, given the current phase of development of the potential products under these collaboration agreements, we cannot estimate the probability or timing of achieving these milestones. As of June 30, 2016, we have deferred revenue of approximately $10.3 million related to these other collaboration agreements, which we expect to recognize through 2020, the estimated end of our obligations under those agreements.

Note 7 — Stock-Based Compensation

Total stock-based compensation expense was recognized in our Condensed Consolidated Statements of Operations as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cost of goods sold	$ 402	$ 239	$ 790	$ 563
Research and development	3,125	2,125	6,324	4,547
General and administrative	2,737	2,196	5,513	4,627
Total stock-based compensation	$ 6,264	$ 4,560	$ 12,627	$ 9,737

During the three months ended June 30, 2016 and 2015, we granted options to purchase 589,090 and 68,200 shares, respectively, at a weighted average grant-date fair value of $7.22 per share and $4.81 per share, respectively.

During the six months ended June 30, 2016 and 2015, we granted options to purchase 789,290 and 479,010 shares, respectively, at a weighted average grant-date fair value of $6.88 per share and $6.31 per share, respectively.

As a result of stock issuances under our equity compensation plans, during the three months ended June 30, 2016 and 2015, we issued 451,391 and 733,952 shares of our common stock, respectively, and during the six months ended June 30, 2016 and 2015, we issued 1,313,937 and 969,250 shares of our common stock, respectively.

Note 8 — Net Loss Per Share

Basic net loss per share is calculated based on the weighted-average number of common shares outstanding during the periods presented. For all periods presented in the accompanying Condensed Consolidated Statements of Operations, the net loss available to common stockholders is equal to the reported net loss. Basic and diluted net loss per share are the same due to our historical net losses and the requirement to exclude potentially dilutive securities which would have an anti-dilutive effect on net loss per share.

During the three and six months ended June 30, 2016 and 2015, potentially dilutive securities consisted of common shares underlying outstanding stock options and RSUs. During the three months ended June 30, 2016 and 2015, there were weighted average outstanding stock options and RSUs of 19.4 million and 21.6 million shares, respectively, and during the six months ended June 30, 2016 and 2015, there were weighted average outstanding stock options and RSUs of 19.6 million and 21.7 million shares, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section as well as factors described in "Part II, Item 1A-Risk Factors."

Overview

Strategic Direction of Our Business

We are a biopharmaceutical company developing a pipeline of drug candidates that utilize our PEGylation and advanced polymer conjugate technology platforms, which are designed to enable the development of new molecular entities that target known mechanisms of action. Our current proprietary pipeline is comprised of drug candidates across a number of therapeutic areas including oncology, pain, anti-infectives, and immunology. Our research and development activities involve small molecule drugs, peptides and protein biologic drug candidates. We create innovative drug candidates by using our proprietary advanced polymer conjugate technologies and expertise to modify the chemical structure of pharmacophores to create new molecular entities. Polymer chemistry is a science focused on the synthesis or bonding of polymer architectures with drug molecules to alter the properties of a molecule. Additionally, we may utilize established pharmacologic targets to engineer a new drug candidate relying on a combination of the known properties of these targets and our proprietary polymer chemistry technology and expertise. Our drug candidates are designed to improve the overall benefits and use of a drug for patients by improving the metabolism, distribution, pharmacokinetics, pharmacodynamics, half-life and/or bioavailability of drugs. Our objective is to apply our advanced polymer conjugate technology platform to create new drug candidates in multiple therapeutic areas that address large potential markets.

In 2014, we achieved the first approval of one of our proprietary drug candidates, MOVANTIK™ (naloxegol), under a global license agreement with AstraZeneca. MOVANTIK™ is an oral peripherally-acting opioid antagonist, for the treatment of opioid-induced constipation, or OIC, a side effect caused by chronic administration of prescription opioid pain medicines. AstraZeneca markets and sells MOVANTIK™ in the United States in collaboration with Daiichi Sankyo, Inc. On March 31, 2015, AstraZeneca and Daiichi launched MOVANTIK™ in the United States. On March 1, 2016, AstraZeneca entered into an agreement with ProStrakan Group plc (ProStrakan), a subsidiary of Kyowa Hakko Kirin Co. Ltd., granting ProStrakan exclusive marketing rights to MOVENTIG® (the naloxegol brand name in the EU) in the EU, Iceland, Liechtenstein, Norway and Switzerland. Under the terms of that agreement, ProStrakan made a $70 million upfront payment to AstraZeneca and will make future payments based on achieving market access milestones, tiered net sales royalties, as well as sales milestones. Under our license agreement, AstraZeneca and Nektar will share the upfront payment, market access milestones, royalties and sales milestones from ProStrakan with AstraZeneca receiving 60% and Nektar receiving 40%. Given the significant sales milestone and royalty opportunity for us associated with MOVANTIK™ under our AstraZeneca license agreement, the level of sales achieved by AstraZeneca for MOVANTIK™ will have a significant impact on our operating results and financial condition over the coming years.

We have a collaboration with Baxalta to develop and commercialize PEGylated drug candidates with the objective of providing new long-acting therapies for hemophilia patients. Under this collaboration, we worked with Baxalta to develop ADYNOVATE™ (previously referred to as BAX 855), an extended half-life recombinant factor VIII (rFVIII) treatment for Hemophilia A based on ADVATE® [Antihemophilic Factor (Recombinant)]. In November 2015, ADYNOVATE™ was approved by the FDA for use in adults and adolescents, aged 12 years and older, who have Hemophilia A. Baxalta announced the launch and first shipments of ADYNOVATE™ on November 30, 2015. On April 4, 2016, Baxalta announced that the Ministry of Health, Labour and Welfare in Japan approved ADYNOVATE™ for patients aged 12 years and older with Hemophilia A. ADYNOVATE™ is also under regulatory review in Europe, Switzerland and Canada. The level of sales achieved by Baxalta for ADYNOVATE™ and our related royalties will be important to our operating results and financial condition over the coming years.

NKTR-181 is a novel mu-opioid analgesic drug candidate for chronic pain conditions and is currently in Phase 3 clinical development. We enrolled the first patient in the first Phase 3 efficacy study in February 2015 and we recently completed enrollment in the study. In this study, we are randomizing patients with chronic low back pain in an enriched enrollment randomized withdrawal design which will include a qualifying screening period, an open-label titration period where NKTR-181 is given to all patients, followed by a 12 week double-blind randomized period where subjects will be randomized on a 1:1 basis to receive either NKTR-181 or placebo. The NKTR-181 Phase 3 study design includes a single interim sample size assessment to be conducted by an independent analysis center (IAC) after approximately fifty percent of the initially planned 416 patients completed the study. The protocol of the NKTR-181 study defined only two possible outcomes for this pre-planned blinded interim sample size assessment: (1) if the conditional powering at the midpoint of the trial fell between 50-85%, the sample size was to be increased by approximately 200 patients; or (2) if the conditional powering fell below 50%, or above 85%, the sample size was not to be changed. The IAC's determination is nondiscretionary and was based upon our determination of pre-defined acceptable power to detect a statistically significant difference between NKTR-181 and placebo based on the primary efficacy endpoint. On February 29, 2016, the IAC instructed Nektar to increase the sample size by approximately 200 patients.

NKTR-102 (etirinotecan pegol, also known as ONZEALD™) is our next-generation topoisomerase I inhibitor proprietary drug candidate. In 2015, we announced topline data from a Phase 3 clinical study for NKTR-102, which we call the BEACON study (BrEAst Cancer Outcomes with NKTR-102), as a single-agent therapy for women with advanced metastatic breast cancer. The BEACON study compared NKTR-102 to an active control arm comprised of a single chemotherapy agent of physician's choice (TPC) in patients who were heavily pre-treated with a median of three prior therapies for metastatic disease. In a topline analysis of 852 patients from the trial, NKTR-102 provided a 2.1 month improvement in median overall survival (OS) over TPC (12.4 months for patients receiving NKTR-102 compared to 10.3 months for patients receiving TPC). Based on a stratified log-rank analysis, the primary endpoint measuring the Hazard Ratio (HR) for survival in the NKTR-102 group compared to the active control arm was 0.87 with a p-value of 0.08, which did not achieve statistical significance. Secondary endpoints in the BEACON study included objective response rate and progression-free survival, which did not achieve statistical significance in the study. We also announced that we observed a significant overall survival benefit in two pre-specified subgroups—patients with a history of brain metastases and patients with baseline liver metastases at study entry.

We have explored future regulatory and development paths forward for ONZEALD™ with the EU and U.S. health authorities. In Europe, we met with the National Authorities in Sweden and the United Kingdom to discuss the BEACON data. On May 26, 2016, the Committee for Medicinal Products for Human Use granted an accelerated assessment procedure for the planned ONZEALD™ filing, which provides for an accelerated marketing authorization application (MAA) review timeline. In June 2016, we also met with the European Medicines Agency (EMA) and filed an MAA for conditional approval of ONZEALD™ for adult patients with advanced breast cancer who have brain metastases. On July 14, 2016, we received a letter from the EMA notifying us that the ONZEALD™ application successfully passed validation to be accepted for review. As contemplated by our recently announced European commercialization collaboration with Daiichi and in connection with our MAA filing for ONZEALD™, in 2016 we plan to initiate a randomized Phase 3 confirmatory study to evaluate ONZEALD™ as compared to a single-agent chemotherapy of physician's choice in approximately 350 adult patients with advanced breast cancer who have brain metastases (Confirmatory Study). The primary endpoint of the Confirmatory Study will be overall survival (OS) and the Confirmatory Study will include a pre-specified interim analysis for OS which is to be conducted after 130 events have occurred in the study. In addition, based on our meetings with the FDA's Oncology Division, the FDA staff has indicated that positive results from the Confirmatory Study could also support an NDA filing in the U.S. where Nektar has retained all rights to ONZEALD™.

In December 2015, we dosed the first patient in a Phase 1/2 clinical study for NKTR-214, which is our engineered immunostimulatory CD122-biased cytokine designed to preferentially activate the beta and gamma sub-units of the IL-2 receptor with the objective to induce proliferation of tumor-killing T cells within the body (CD8-positive effector T cells and natural killer T cells) without stimulating regulatory T cells (CD4-positive T cells). The study is being conducted initially at two primary investigator sites: the University of Texas MD Anderson Cancer Center and Yale Cancer Center. The dose-escalation stage of the Phase 1/2 study in approximately 20 patients is designed to evaluate safety and efficacy, and define the recommended Phase 2 dose of NKTR-214 in patients with solid tumors. In addition to a determination of the recommended Phase 2 dose, the study will assess preliminary anti-tumor activity, including objective response rate. The immunologic effect of NKTR-214 on tumor-infiltrating lymphocytes and other immune infiltrating cells in both blood and tumor tissue will also be assessed. Following the dose-escalation stage of the study, dose expansion cohorts are planned to evaluate NKTR-214 in specific tumor types, including melanoma, renal cell carcinoma and non-small cell lung cancer.

We also have two significant drug development programs with Bayer. The first is a collaboration to develop BAY41-6551 (Amikacin Inhale, formerly known as NKTR-061), which is an inhaled solution of amikacin, an aminoglycoside antibiotic. We originally developed the liquid aerosol inhalation platform and the NKTR-061 drug candidate and entered into a collaboration agreement with Bayer to further advance the drug candidate's development and potential commercialization. Bayer is currently enrolling patients in a Phase 3 clinical study for Amikacin Inhale. Bayer is conducting this study under a Special Protocol Assessment process agreed to with the FDA. The second is our significant royalty rights in the Cipro DPI (Cipro Dry Powder Inhaler, previously called Cipro Inhale) program with Bayer that we transferred to Novartis as part of the 2008 pulmonary asset divestiture transaction. In August 2012, Bayer initiated a global Phase 3 program called RESPIRE for the Cipro DPI product candidate in patients with non-cystic fibrosis bronchiectasis. These programs represent a significant future economic opportunity for us.

While the approved drugs and clinical development programs described above are key elements of our future success, we believe it is critically important that we continue to make substantial investments in our earlier-stage drug candidate pipeline. We have several drug candidates in earlier stage clinical development or being explored in research that we are preparing to advance into the clinic in future years. We are also advancing several other drug candidates in preclinical development in the areas of cancer immunotherapy, pain and other therapeutic indications. While we believe that our substantial investment in research and development has the potential to create significant value if one or more of our drug candidates demonstrates positive clinical results, receives regulatory approval in one or more major markets and achieves commercial success, drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to approval and the timing and outcome of clinical trial results

are extremely difficult to predict. Clinical development successes and failures can have a disproportionately positive or negative impact on our scientific and medical prospects, financial condition and prospects, results of operations and market value.

Historically, we have entered into a number of license and supply contracts under which we manufactured and supplied our proprietary PEGylation reagents on a fixed price or cost-plus basis. Our current strategy is to manufacture and supply PEGylation reagents to support our proprietary drug candidates or our third-party collaborators where we have a strategic development and commercialization relationship or where we derive substantial economic benefit.

Key Developments and Trends in Liquidity and Capital Resources

As of June 30, 2016, we estimated that we had at least twelve months of working capital to fund our current business plans. At June 30, 2016, we had approximately $274.9 million in cash and investments in marketable securities. Also, as of June 30, 2016, we had $256.4 million in debt, including $250.0 million in principal of senior secured notes and $6.4 million of capital lease obligations.

Results of Operations

Three and Six Months Ended June 30, 2016 and 2015

Revenue (in thousands, except percentages)

	Three months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Product sales	$ 12,867	$ 10,968	$ 1,899	17%
Royalty revenue	3,516	745	2,771	>100%
Non-cash royalty revenue related to sale of future royalties	8,115	4,740	3,375	71%
License, collaboration and other revenue	8,270	6,208	2,062	33%
Total revenue	$ 32,768	$ 22,661	$ 10,107	45%

	Six months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Product sales	$ 26,966	$ 18,942	$ 8,024	42%
Royalty revenue	7,576	870	6,706	>100%
Non-cash royalty revenue related to sale of future royalties	14,650	8,702	5,948	68%
License, collaboration and other revenue	42,457	102,948	(60,491)	(59)%
Total revenue	$ 91,649	$ 131,462	$ (39,813)	(30)%

Our revenue is derived from our collaboration agreements, under which we may receive product sales revenue, royalties, license fees, milestone and other contingent payments and/or contract research payments. Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured. The amount of upfront fees received under our license and collaboration agreements allocated to continuing obligations, such as manufacturing and supply commitments, is recognized ratably over our expected performance period under the arrangement. As a result, there may be significant variations in the timing of receipt of cash payments and our recognition of revenue. We make our best estimate of the period over which we expect to fulfill our performance obligations. Given the uncertainties in research and development collaborations, significant judgment is required by us to determine the performance periods.

Product sales

Product sales include predominantly fixed price manufacturing and supply agreements with our collaboration partners and result from the receipt of firm purchase orders from those partners. The timing of shipments is based solely on the demand and requirements of our collaboration partners and is not ratable throughout the year.

Product sales increased for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 primarily due to increased product demand from a number of our collaboration partners. We expect product sales for the full year of 2016 will increase as compared to 2015 primarily due to increased product demand from one of our collaboration partners.

Royalty revenue and non-cash royalty revenue related to sale of future royalties

We receive royalty revenue from certain of our collaboration partners based on their net sales of commercial products. Royalty revenue received in cash increased for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 primarily due to the launch of commercial sales by AstraZeneca of MOVANTIK™ in the U.S. in March 2015 and MOVENTIG® in the EU in August 2015 and the launch of ADYNOVATE™ by Baxalta in the U.S. in November 2015. We expect royalty revenue for the full year of 2016 will increase as compared to 2015 due to royalties we expect to receive from MOVANTIK™, MOVENTIG® and ADYNOVATE™.

In February 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA®. As described in Note 4 to our Condensed Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the estimated royalty payment period. As a result of this liability accounting, even though the royalties from UCB and Roche are remitted directly to the purchaser of these royalty interests, we will continue to record revenue for these royalties. We expect non-cash royalties from net sales of CIMZIA® and MIRCERA® for the full year of 2016 will increase as compared to 2015.

License, Collaboration and Other Revenue

License, collaboration and other revenue includes the recognition of upfront payments, milestone and other contingent payments received in connection with our license and collaboration agreements and reimbursed research and development expenses. The level of license, collaboration and other revenue depends in part upon the estimated amortization period of the upfront payments, the achievement of milestones and other contingent events, the continuation of existing collaborations, the amount of reimbursed research and development work, and entering into new collaboration agreements, if any.

License, collaboration and other revenue increased for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 primarily due to the recognition of $3.3 million from the Daiichi Sankyo arrangement. License, collaboration and other revenue decreased for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 primarily as a result of the recognition in March 2015 of the $100.0 million milestone payment received from AstraZeneca as a result of the U.S. commercial launch of MOVANTIK™, partially offset by the recognition of $28.0 million in March 2016 for our 40% share of the $70.0 million sublicense payment received by AstraZeneca from ProStrakan in March 2016. In addition, in March 2015, we agreed to pay AstraZeneca $10.0 million, including $5.0 million paid in July 2015 and $5.0 million paid in July 2016, to fund U.S. television advertising in consideration for certain additional commercial information rights. We determined that this $10.0 million obligation should be recorded as a reduction of revenue, which we recorded in the three months ended March 31, 2015.

We expect our license, collaboration and other revenue for the full year of 2016 will decrease significantly as compared to 2015 primarily due to the recognition in 2015 of the significant non-recurring payments resulting from AstraZeneca's commercial launches of MOVANTIK™ and MOVENTIG®.

Cost of Goods Sold and Product Gross Margin (in thousands, except percentages)

	Three months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Cost of goods sold	$ 7,708	$ 10,534	$ (2,826)	(27)%
Product gross profit (loss)	5,159	434	$ 4,725	>100%
Product gross margin	40%	4%		

	Six months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Cost of goods sold	$ 16,578	$ 18,978	$ (2,400)	(13)%
Product gross profit (loss)	10,388	(36)	$ 10,424	>100%
Product gross margin	39%	0%		

Cost of goods sold decreased during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 primarily due to the mix of product sales, which resulted in decreases to cost of goods sold even though product sales increased during the same periods.

The improvement in product gross profit (loss) and product gross margin during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 is primarily due to a more favorable product mix in 2016 compared to 2015. The manufacturing arrangement with one of our collaboration partners includes a fixed price for our proprietary PEGylation reagent materials, which is less than the fully burdened manufacturing cost for the reagent in 2016 and 2015 and we expect this situation to continue with this partner in future years. There were fewer shipments to this partner in total and relative to shipments to other customers during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015. In addition to product sales from reagent materials supplied to the partner where our sales are less than our fully burdened manufacturing cost, we also receive royalty revenue from this collaboration. In the three and six months ended June 30, 2016 and 2015, the royalty revenue from this collaboration exceeded the related negative gross profit.

We expect product gross margin to continue to fluctuate in future periods depending on the level and mix of manufacturing orders from our customers due to the predominantly fixed cost base associated with our manufacturing activities. We expect product gross margin for the full year of 2016 to be substantially similar to the six months ended June 30, 2016, as a result of anticipated collaboration partner demand and product mix.

Research and Development Expense (in thousands, except percentages)

	Three months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Research and development expense	$ 52,350	$ 45,412	$ 6,938	15%

	Six months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Research and development expense	$ 101,618	$ 92,423	$ 9,195	10%

Research and development expense consists primarily of clinical study costs, direct costs of outside research, materials, supplies, licenses and fees as well as personnel costs (including salaries, benefits, and stock-based compensation). Research and development expense also includes certain overhead allocations consisting of support and facilities-related costs.

Research and development expense increased during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 primarily due to costs incurred in our Phase 3 clinical program for NKTR-181 and our NKTR-214 Phase 1/2 clinical study initiated at the end of 2015. We expect research and development expense in the full year of 2016 to increase as compared to 2015.

Other than as described in the Overview section above, there have been no material changes to the status of clinical programs in the six months ended June 30, 2016 from the activities discussed in our Annual Report on Form 10-K for the year ended December 31, 2015 on file with the Securities and Exchange Commission.

General and Administrative Expense (in thousands, except percentages)

	Three months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
General and administrative expense	$ 11,035	$ 10,184	851	8%

	Six months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
General and administrative expense	$ 21,262	$ 20,487	775	4%

General and administrative expense includes the cost of administrative staffing, business development, marketing, finance, and legal activities. General and administrative expense during the three and six months ended June 30, 2016 increased marginally compared with the three and six months ended June 30, 2015. We expect general and administrative expenses in the full year of 2016 to decrease marginally compared to 2015.

Interest Expense (in thousands, except percentages)

	Three months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Interest expense	$ 5,627	$ 4,118	$ 1,509	37%
Non-cash interest expense on liability related to sale of future royalties	4,982	5,152	(170)	(3)%

	Six months ended June 30,		Increase/ (Decrease) 2016 vs. 2015	Percentage Increase/ (Decrease) 2016 vs. 2015
	2016	2015		
Interest expense	$ 11,304	$ 8,289	$ 3,015	36%
Non-cash interest expense on liability related to sale of future royalties	10,027	10,202	(175)	(2)%

Interest expense for the three and six months ended June 30, 2016 increased as compared to the three and six months ended June 30, 2015 primarily as a result of our secured notes transaction completed in October 2015. In October 2015, we issued $250.0 million in aggregate principal amount of 7.75% senior secured notes due October 2020 and used a portion of the proceeds from these notes to redeem the $125.0 million in aggregate principal amount of 12% senior secured notes due July 2017. Interest on the 7.75% senior secured notes is calculated based on actual days outstanding over a 360 day year. We expect interest expense during the full year of 2016 to increase compared to 2015 as a result of the year over year increase to the principal balance of our outstanding secured notes, partially offset by the reduction in the secured note interest rate from 12% to 7.75%.

Non-cash interest expense on the liability related to sale of future royalties for the three and six months ended June 30, 2016 decreased marginally compared with the three and six months ended June 30, 2015. In February 2012, we sold all of our rights to

receive future royalty payments on CIMZIA® and MIRCERA® in exchange for $124.0 million. As described in Note 4 to our Condensed Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the estimated royalty payment period as CIMZIA® and MIRCERA® royalties are remitted directly to the purchaser. We impute interest on the transaction and record interest expense at the effective interest rate, which we currently estimate to be approximately 17%. There are a number of factors that could materially affect the estimated interest rate, in particular, the amount and timing of royalty payments from future net sales of CIMZIA® and MIRCERA®, and we assess this estimate on a periodic basis. As a result, future interest rates could differ significantly and any such change in interest rate will be adjusted prospectively. Unless we adjust our estimated interest rate, we expect non-cash interest expense on the liability related to sale of future royalties for the full year of 2016 to decrease marginally compared to 2015 as a result of the decreasing royalty liability balance.

Liquidity and Capital Resources

We have financed our operations primarily through revenue from product sales, royalties and research and development contracts, as well as public offering and private placements of debt and equity securities. At June 30, 2016, we had approximately $274.9 million in cash and investments in marketable securities. Also, as of June 30, 2016, we had $256.4 million in debt, including $250.0 million in principal of senior secured notes and $6.4 million of capital lease obligations.

As of June 30, 2016, we estimated that we had at least twelve months of working capital to fund our current business plans. We expect the clinical development of our proprietary drug candidates including NKTR-181, Amikacin Inhale, and NKTR-214, will require significant investment in order to continue to advance in clinical development with the objective of entering into a collaboration partnership or obtaining regulatory approval. However, we have no credit facility or any other sources of committed capital. In the past we have received a number of significant payments from collaboration agreements and other significant transactions. In the future, we expect to continue to receive increasing royalties from commercial sales of products such as MOVANTIK™, MOVENTIG® and ADYNOVATE™ as they continue to increase sales after their recent product launches and potential substantial payments from future collaboration transactions if drug candidates in our pipeline achieve positive clinical or regulatory outcomes. Our current business plan is also subject to significant uncertainties and risks as a result of, among other factors, the sales levels of products for which we are entitled to royalties such as MOVANTIK™, MOVENTIG® and ADYNOVATE™, clinical program outcomes, whether, when and on what terms we are able to enter into new collaboration transactions, expenses being higher than anticipated, unplanned expenses, cash receipts being lower than anticipated, and the need to satisfy contingent liabilities, including litigation matters and indemnification obligations.

The availability and terms of various financing alternatives substantially depend on many factors including the success or failure of drug development programs in our pipeline, including NKTR-181, Amikacin Inhale and NKTR-214, as well as other early stage development programs. The availability and terms of financing alternatives and any future significant payments from existing or new collaborations depend on the positive outcome of ongoing or planned clinical studies, whether we or our partners are successful in obtaining regulatory authority approvals in major markets, and if approved, the commercial success of these drugs, as well as general capital market conditions. We will pursue various financing alternatives as needed to continue to fund our research and development activities and to fund the expansion of our business as appropriate.

Due to the potential for adverse developments in the credit markets in 2016 and thereafter, we may experience reduced liquidity with respect to some of our investments in marketable securities. These investments are generally held to maturity, which, in accordance with our investment policy, is less than two years. However, if the need arises to liquidate such securities before maturity, we may experience losses on liquidation. At June 30, 2016, the average time to maturity of the investments held in our portfolio was approximately four months and the maturity of any single investment did not exceed one year. To date we have not experienced any liquidity issues with respect to these securities, but if such issues arise, we may be required to hold some, or all, of these securities until maturity. We believe that, even allowing for potential liquidity issues with respect to these securities, our remaining cash and investments in marketable securities will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Cash flows from operating activities

Cash flows used in operating activities for the six months ended June 30, 2016 totaled $37.3 million, which includes $65.5 million of net operating cash uses as well as $9.8 million for interest payments on our senior secured notes, partially offset by the receipt of a $28.0 million payment in April 2016 from AstraZeneca related to its sub-license to ProStrakan as well as the receipt of a $10.0 million milestone in January 2016 from our Baxalta collaboration agreement, which was recorded in accounts receivable in our Condensed Consolidated Balance Sheet at December 31, 2015. The accounts receivable balance in our Condensed Consolidated Balance Sheet as of June 30, 2016 includes a $20.0 million payment receivable from Daiichi Sankyo related to our NKTR-102 collaboration arrangement in Europe. We expect that cash flows used in operating activities, excluding upfront, milestone and other contingent payments received, if any, will decrease in the full year of 2016 compared to 2015 primarily as a result of increased cash receipts from product sales and royalties.

Cash flows provided by operating activities for the six months ended June 30, 2015 totaled $16.1 million, which includes the receipt of $102.0 million for milestones from collaboration agreements, including the $100.0 million payment received as a result of the US launch of MOVANTIK™, partially offset by $78.4 million of net operating cash uses as well as $7.5 million for interest payments on our senior secured notes.

Cash flows from investing activities

We paid $3.2 million and $4.6 million to purchase property, plant and equipment in the six months ended June 30, 2016 and 2015, respectively. We expect our capital expenditures in the full year of 2016 to decrease marginally compared to 2015.

Cash flows used in financing activities

We received proceeds from issuance of common stock related to our employee option and stock purchase plans of $9.6 million and $7.8 million in the six months ended June 30, 2016 and 2015, respectively.

Contractual Obligations

There were no material changes during the six months ended June 30, 2016 to the summary of contractual obligations included in our Annual Report on Form 10-K for the year ended December 31, 2015 on file with the Securities and Exchange Commission.

Off-Balance Sheet Arrangements

We do not utilize off-balance sheet financing arrangements as a source of liquidity or financing.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from those estimates under different assumptions or conditions. There have been no material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks at June 30, 2016 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015 on file with the Securities and Exchange Commission.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (Exchange Act) reports is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the Company. However, there was no change in our internal control over financial reporting that occurred in the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to our disclosures in “Legal Matters” under Note 5 to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q and the information under the heading “Legal Matters” is incorporated by reference herein.

Item 1A. Risk Factors

Investors in Nektar Therapeutics should carefully consider the risks described below before making an investment decision. The risks described below may not be the only ones relating to our company. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. Additional risks that we currently believe are immaterial may also impair our business operations. Our business, results of operations, financial condition, cash flows and future prospects and the trading price of our common stock and our abilities to repay our senior secured notes could be harmed as a result of any of these risks, and investors may lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2015, including our consolidated financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission (SEC).

Risks Related to Our Business

Drug development is a long and inherently uncertain process with a high risk of failure at every stage of development.

We have a number of proprietary drug candidates and partnered drug candidates in research and development ranging from the early discovery research phase through preclinical testing and clinical trials. Preclinical testing and clinical studies are long, expensive, difficult to design and implement and highly uncertain as to outcome. It will take us, or our collaborative partners, many years to conduct extensive preclinical tests and clinical trials to demonstrate the safety and efficacy in humans of our product candidates. The start or end of a clinical study is often delayed or halted due to changing regulatory requirements, manufacturing challenges, required clinical trial administrative actions, slower than anticipated patient enrollment, changing standards of care, availability or prevalence of use of a comparator drug or required prior therapy, clinical outcomes, or our and our partners’ financial constraints.

Drug development is a highly uncertain scientific and medical endeavor, and failure can unexpectedly occur at any stage of preclinical and clinical development. Typically, there is a high rate of attrition for drug candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The risk of failure increases for our drug candidates that are based on new technologies, such as the application of our advanced polymer conjugate technology to NKTR-102, NKTR-181, NKTR-214 and other drug candidates currently in discovery research or preclinical development. For example, while we believe our NKTR-181 Phase 3 clinical program employs the most appropriate clinical trial design, we were unable to identify a single cause for the Phase 2 study for NKTR-181 not meeting its primary efficacy endpoint, and therefore there is increased risk in effectively designing a Phase 3 clinical program for NKTR-181. The failure of one or more of our drug candidates could have a material adverse effect on our business, financial condition and results of operations.

The risk of clinical failure for any drug candidate remains high prior to regulatory approval.

A number of companies have suffered significant unforeseen failures in clinical studies due to factors such as inconclusive efficacy or safety, even after achieving preclinical proof-of-concept or positive results from earlier clinical studies that were satisfactory both to them and to reviewing regulatory authorities. Clinical study outcomes remain very unpredictable and it is possible that one or more of our clinical studies could fail at any time due to efficacy, safety or other important clinical findings or regulatory requirements. The results from preclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in later phase clinical trials of the product candidate. We, the FDA, IRB, an independent ethics committee, or other applicable regulatory authorities may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects participating in such trials are being exposed to unacceptable health risks or adverse side effects. Similarly, an IRB or ethics committee may suspend a clinical trial at a particular trial site. If one or more of our drug candidates fail in clinical studies, it could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations and financial condition depend significantly on the ability of our collaboration partners to successfully develop and market drugs and they may fail to do so.

Under our collaboration agreements with various pharmaceutical or biotechnology companies, our collaboration partner is generally solely responsible for:

- designing and conducting large scale clinical studies;
- preparing and filing documents necessary to obtain government approvals to sell a given drug candidate; and/or
- marketing and selling the drugs when and if they are approved.

Our reliance on collaboration partners poses a number of significant risks to our business, including risks that:

- we have very little control over the timing and level of resources that our collaboration partners dedicate to commercial marketing efforts such as the amount of investment in sales and marketing personnel, general marketing campaigns, direct-to-consumer advertising, product sampling, pricing agreements and rebate strategies with government and private payers, manufacturing and supply of drug product, and other marketing and selling activities that need to be undertaken and well executed for a drug to have the potential to achieve commercial success;
- collaboration partners with commercial rights may choose to devote fewer resources to the marketing of our partnered drugs than they devote to their own drugs or other drugs that they have in-licensed;
- we have very little control over the timing and amount of resources our partners devote to development programs in one or more major markets;
- disagreements with partners could lead to delays in, or termination of, the research, development or commercialization of product candidates or to litigation or arbitration proceedings;
- disputes may arise or escalate in the future with respect to the ownership of rights to technology or intellectual property developed with partners;
- we do not have the ability to unilaterally terminate agreements (or partners may have extension or renewal rights) that we believe are not on commercially reasonable terms or consistent with our current business strategy;
- partners may be unable to pay us as expected; and
- partners may terminate their agreements with us unilaterally for any or no reason, in some cases with the payment of a termination fee penalty and in other cases with no termination fee penalty.

Given these risks, the success of our current and future collaboration partnerships is highly unpredictable and can have a substantial negative or positive impact on our business—in particular, we expect the commercial outcomes of MOVANTIK™, MOVENTIG® and ADYNOVATE™ (previously referred to as BAX 855) to have a particularly significant impact on our near to mid- term financial results and financial condition. Additionally, there are also several important drugs in later stage development with collaboration partners including Amikacin Inhale, Cipro DPI, and Fovista®. If the approved drugs fail to achieve commercial success or the drugs in development fail to have positive late stage clinical outcomes sufficient to support regulatory approval in major markets, it could significantly impair our access to capital necessary to fund our research and development efforts for our proprietary drug candidates. If we are unable to obtain sufficient capital resources to advance our drug candidate pipeline, it would negatively impact the value of our business, results of operations and financial condition.

We are a party to numerous collaboration agreements and other significant agreements which contain complex commercial terms that could result in disputes, litigation or indemnification liability that could adversely affect our business, results of operations and financial condition.

We currently derive, and expect to derive in the foreseeable future, all of our revenue from collaboration agreements with biotechnology and pharmaceutical companies. These collaboration agreements contain complex commercial terms, including:

- clinical development and commercialization obligations that are based on certain commercial reasonableness performance standards that can often be difficult to enforce if disputes arise as to adequacy of our partner’s performance;
- research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered drug candidate development programs;
- clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;

- intellectual property ownership allocation between us and our partners for improvements and new inventions developed during the course of the collaboration;
- royalties on drug sales based on a number of complex variables, including net sales calculations, geography, scope of patent claim coverage, patent life, generic competitors, bundled pricing and other factors; and
- indemnity obligations for intellectual property infringement, product liability and certain other claims.

We are a party to certain significant agreements, including an asset purchase agreement with Novartis pursuant to which we sold a significant portion of our pulmonary business at the end of 2008, the worldwide exclusive license agreement with AstraZeneca related to the further development and commercialization of MOVANTIK™, and the purchase and sale agreement with RPI Finance Trust (RPI) related to the sale of our royalty interests in UCB's CIMZIA® and Roche's MIRCERA® that we completed in February 2012. Each of these agreements contains complex representations and warranties, covenants and indemnification obligations. If we breach any of our agreements with Novartis, AstraZeneca, RPI or any other third party agreements, it could subject us to substantial liabilities and harm our financial condition.

From time to time, we have informal dispute resolution discussions with third parties regarding the appropriate interpretation of the complex commercial terms contained in our agreements. For example, in 2015 we filed a lawsuit against Allergan and MAP seeking economic damages related to a dispute over the economic sharing provisions of our license agreement with MAP. On August 14, 2015, Enzon, Inc. filed a breach of contract complaint claiming damages of $1.5 million plus interest for unpaid licensing fees through the date of the complaint. After the court granted our motion to dismiss the complaint, Enzon filed an appeal to the court's dismissal decision. One or more disputes may arise or escalate in the future regarding our collaboration agreements, transaction documents, or third-party license agreements that may ultimately result in costly litigation and unfavorable interpretation of contract terms, which would have a material adverse effect on our business, financial condition and results of operations.

If we or our partners do not obtain regulatory approval for our drug candidates on a timely basis, or at all, or if the terms of any approval impose significant restrictions or limitations on use, our business, results of operations and financial condition will be negatively affected.

We or our partners may not obtain regulatory approval for drug candidates on a timely basis, or at all, or the terms of any approval (which in some countries includes pricing approval) may impose significant restrictions or limitations on use. Drug candidates must undergo rigorous animal and human testing and an extensive review process for safety and efficacy by the FDA and equivalent foreign regulatory authorities. The time required for obtaining regulatory decisions is uncertain and difficult to predict. The FDA and other U.S. and foreign regulatory authorities have substantial discretion, at any phase of development, to terminate clinical studies, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. For example, while data from certain pre-specified subgroups in the BEACON study was positive, the study did not achieve statistical significance for its primary endpoint and the FDA and European Medicines Agency rarely approve drugs on the basis of studies that do not achieve statistical significance on the primary endpoint. Further, regulatory authorities have the discretion to analyze data using their own methodologies that may differ from those used by us or our partners which could lead such authorities to arrive at different conclusions regarding the safety or efficacy of a drug candidate. In addition, undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities. For example, AstraZeneca will be conducting a post-marketing, observational epidemiological study comparing MOVANTIK™ to other treatments of OIC in patients with chronic, non-cancer pain and the results of this study could at some point in the future negatively impact the labeling, regulatory status, and commercial potential of MOVANTIK™.

Even if we or our partners receive regulatory approval of a product, the approval may limit the indicated uses for which the drug may be marketed. Our partnered drugs that have obtained regulatory approval, and the manufacturing processes for these products, are subject to continued review and periodic inspections by the FDA and other regulatory authorities. Discovery from such review and inspection of previously unknown problems may result in restrictions on marketed products or on us, including withdrawal or recall of such products from the market, suspension of related manufacturing operations or a more restricted label. The failure to obtain timely regulatory approval of product candidates, any product marketing limitations or a product withdrawal would negatively impact our business, results of operations and financial condition.

We have substantial future capital requirements and there is a risk we may not have access to sufficient capital to meet our current business plan. If we do not receive substantial milestone or royalty payments from our existing collaboration agreements, execute new high value collaborations or other arrangements, or are unable to raise additional capital in one or more financing transactions, we would be unable to continue our current level of investment in research and development.

As of June 30, 2016, we had cash and investments in marketable securities valued at approximately $274.9 million. Also, as of June 30, 2016, we had $256.4 million in debt, including $250.0 million in principal of senior secured notes and $6.4 million of capital lease obligations. While we believe that our cash position will be sufficient to meet our liquidity requirements through at least the next 12 months, our future capital requirements will depend upon numerous unpredictable factors, including:

- the cost, timing and outcomes of clinical studies and regulatory reviews of our proprietary drug candidates that we have licensed to our collaboration partners —important examples include Amikacin Inhale and CIPRO Inhale licensed to Bayer;
- the commercial launch and sales levels of products marketed by our collaboration partners for which we are entitled to royalties and sales milestones—importantly, the level of success in marketing and selling MOVANTIK™ by AstraZeneca in the U.S. and ADYNOVATE™ by Baxalta globally, as well as MOVENTIG® (the naloxegol brand name in the EU) by ProStrakan in the EU;
- if and when we receive potential milestone payments and royalties from our existing collaborations if the drug candidates subject to those collaborations achieve clinical, regulatory or commercial success;
- the progress, timing, cost and results of our clinical development programs;
- the success, progress, timing and costs of our efforts to implement new collaborations, licenses and other transactions that increase our current net cash, such as the sale of additional royalty interests held by us, term loan or other debt arrangements, and the issuance of securities;
- the number of patients, enrollment criteria, primary and secondary endpoints, and the number of clinical studies required by the regulatory authorities in order to consider for approval our drug candidates and those of our collaboration partners;
- our general and administrative expenses, capital expenditures and other uses of cash; and
- disputes concerning patents, proprietary rights, or license and collaboration agreements that negatively impact our receipt of milestone payments or royalties or require us to make significant payments arising from licenses, settlements, adverse judgments or ongoing royalties.

A significant multi-year capital commitment is required to advance our drug candidates through the various stages of research and development in order to generate sufficient data to enable high value collaboration partnerships with significant upfront payments or to successfully achieve regulatory approval. In the event we do not enter into any new collaboration partnerships with significant upfront payments and we choose to continue our later stage research and development programs, we may need to pursue financing alternatives, including dilutive equity-based financings, such as an offering of convertible debt or common stock, which would dilute the percentage ownership of our current common stockholders and could significantly lower the market value of our common stock. If sufficient capital is not available to us or is not available on commercially reasonable terms, it could require us to delay or reduce one or more of our research and development programs. If we are unable to sufficiently advance our research and development programs, it could substantially impair the value of such programs and result in a material adverse effect on our business, financial condition and results of operations.

While we have conducted numerous experiments using laboratory and home-based chemistry techniques that have not been able to convert NKTR-181 into a rapid-acting and more abusable opioid, there is a risk that a technique could be discovered in the future to convert NKTR-181 into a rapid-acting and more abusable opioid, which would significantly diminish the value of this drug candidate.

An important objective of our NKTR-181 drug development program is to create a unique opioid molecule that does not rapidly enter a patient's central nervous system and therefore has the potential to be less susceptible to abuse than alternative opioid therapies. To date, we have conducted numerous experiments using laboratory and home-based chemistry techniques that have been unable to convert NKTR-181 into a rapidly-acting, more abusable form of opioid. In the future, an alternative chemistry technique, process or method of administration, or combination thereof, may be discovered to enable the conversion of NKTR-181 into a more abusable opioid, which could significantly and negatively impact the commercial potential or diminish the value of NKTR-181.

The commercial potential of a drug candidate in development is difficult to predict. If the market size for a new drug is significantly smaller than we anticipate, it could significantly and negatively impact our revenue, results of operations and financial condition.

It is very difficult to estimate the commercial potential of product candidates due to important factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement standards, patient and physician preferences, drug scheduling status, the availability of competitive alternatives that may emerge either during the long drug development process or after commercial introduction, and the availability of generic versions of our product candidates following approval by regulatory authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market by asserting our patents. If due to one or more of these risks the market potential for a drug candidate is lower than we anticipated, it could significantly and negatively impact the commercial terms of any collaboration partnership potential for such drug candidate or, if we have already entered into a collaboration for such drug candidate, the revenue potential from royalty and milestone payments could be significantly diminished and this would negatively impact our business, financial condition and results of operations. We also depend on our relationships with other companies for sales and marketing performance and the commercialization of product candidates. Poor performance by these companies, or disputes with these companies, could negatively impact our revenue and financial condition.

If we are unable to establish and maintain collaboration partnerships on attractive commercial terms, our business, results of operations and financial condition could suffer.

We intend to continue to seek partnerships with pharmaceutical and biotechnology partners to fund a portion of our research and development capital requirements. The timing of new collaboration partnerships is difficult to predict due to availability of clinical data, the outcomes from our clinical studies, the number of potential partners that need to complete due diligence and approval processes, the definitive agreement negotiation process and numerous other unpredictable factors that can delay, impede or prevent significant transactions. If we are unable to find suitable partners or negotiate collaboration arrangements with favorable commercial terms with respect to our existing and future drug candidates or the licensing of our intellectual property, or if any arrangements we negotiate, or have negotiated, are terminated, it could have a material adverse effect on our business, financial condition and results of operations.

Preliminary and interim data from our clinical studies that we announce or publish from time to time are subject to audit and verification procedures that could result in material changes in the final data and may change as more patient data become available.

From time to time, we publish preliminary or interim data from our clinical studies. Preliminary data remain subject to audit confirmation and verification procedures that may result in the final data being materially different from the preliminary data we previously published. Interim data are also subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. As a result, preliminary and interim data should be viewed with caution until the final data are available. Material adverse changes in the final data could significantly harm our business prospects.

Delays in clinical studies are common and have many causes, and any significant delay in clinical studies being conducted by us or our partners could result in delay in regulatory approvals and jeopardize the ability to proceed to commercialization.

We or our partners may experience delays in clinical trials of drug candidates. We currently have ongoing clinical studies for NKTR-181 in patients with chronic lower back pain and initiated a Phase 1/2 clinical study for NKTR-214 in December 2015. In addition, our collaboration partners have several ongoing Phase 3 clinical programs including Baxalta for ADYNOVATE™ (previously referred to as BAX 855) in the EU, Bayer for Amikacin Inhale and CIPRO Inhale, and Ophthotech for Fovista®. These and other clinical studies may not begin on time, enroll a sufficient number of patients or be completed on schedule, if at all. Clinical trials for any of our product candidates could be delayed for a variety of reasons, including:

- delays in obtaining regulatory authorization to commence a clinical study;
- delays in reaching agreement with applicable regulatory authorities on a clinical study design;
- imposition of a clinical hold by the FDA or other health authorities, which may occur at any time including after any inspection of clinical trial operations or trial sites;
- suspension or termination of a clinical study by us, our partners, the FDA or foreign regulatory authorities due to adverse side effects of a drug on subjects in the trial;
- delays in recruiting suitable patients to participate in a trial;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;

- clinical sites dropping out of a trial to the detriment of enrollment rates;
- delays in manufacturing and delivery of sufficient supply of clinical trial materials; and
- changes in regulatory authorities policies or guidance applicable to our drug candidates.

If the initiation or completion of any of the planned clinical studies for our drug candidates is delayed for any of the above or other reasons, the regulatory approval process would be delayed and the ability to commercialize and commence sales of these drug candidates could be materially harmed, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain intellectual property licenses related to the development of our drug candidates on a commercially reasonable basis, if at all.

Numerous pending and issued U.S. and foreign patent rights and other proprietary rights owned by third parties relate to pharmaceutical compositions, methods of preparation and manufacturing, and methods of use and administration. We cannot predict with any certainty which, if any, patent references will be considered relevant to our or our collaboration partners' technology or drug candidates by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. In certain cases, we have existing licenses or cross-licenses with third parties; however, the scope and adequacy of these licenses is very uncertain and can change substantially during long development and commercialization cycles for biotechnology and pharmaceutical products. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternate technology. If we are required to enter into a license with a third party, our potential economic benefit for the products subject to the license will be diminished. If a license is not available on commercially reasonable terms or at all, we may be prevented from developing and commercializing the drug, which could significantly harm our business, results of operations, and financial condition.

If any of our pending patent applications do not issue, or are deemed invalid following issuance, we may lose valuable intellectual property protection.

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own more than 215 U.S. and 750 foreign patents and a number of pending patent applications that cover various aspects of our technologies. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form (and potentially in a form that renders the patent without commercially relevant and/or broad coverage). Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following the commercialization of products encompassed by our patents. We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in a loss of the patent and/or substantial cost to us.

We have filed patent applications, and plan to file additional patent applications, covering various aspects of our PEGylation and advanced polymer conjugate technologies and our proprietary product candidates. There can be no assurance that the patent applications for which we apply would actually issue as patents, or do so with commercially relevant and/or broad coverage. The coverage claimed in a patent application can be significantly reduced before the patent is issued. The scope of our claim coverage can be critical to our ability to enter into licensing transactions with third parties and our right to receive royalties from our collaboration partnerships. Since publication of discoveries in scientific or patent literature often lags behind the date of such discoveries, we cannot be certain that we were the first inventor of inventions covered by our patents or patent applications. In addition, there is no guarantee that we will be the first to file a patent application directed to an invention.

An adverse outcome in any judicial proceeding involving intellectual property, including patents, could subject us to significant liabilities to third parties, require disputed rights to be licensed from or to third parties or require us to cease using the technology in dispute. In those instances where we seek an intellectual property license from another, we may not be able to obtain the license on a commercially reasonable basis, if at all, thereby raising concerns on our ability to freely commercialize our technologies or products.

We are involved in legal proceedings and may incur substantial litigation costs and liabilities that will adversely affect our business, financial condition and results of operations.

From time to time, third parties have asserted, and may in the future assert, that we or our partners infringe their proprietary rights, such as patents and trade secrets, or have otherwise breached our obligations to them. A third party often bases its assertions on a claim that its patents cover our technology platform or drug candidates or that we have misappropriated its confidential or proprietary information. Similar assertions of infringement could be based on future patents that may issue to third parties. In certain of our agreements with our partners, we are obligated to indemnify and hold harmless our collaboration partners from intellectual property infringement, product liability and certain other claims, which could cause us to incur substantial costs and liability if we are called upon to defend ourselves and our partners against any claims. If a third party obtains injunctive or other equitable relief against us or our partners, they could effectively prevent us, or our partners, from developing or commercializing, or deriving revenue from, certain drugs or drug candidates in the U.S. and abroad. Costs associated with litigation, substantial damage claims, indemnification claims or royalties paid for licenses from third parties could have a material adverse effect on our business, financial condition and results of operations.

Third-party claims involving proprietary rights or other matters could also result in substantial settlement payments or substantial damages to be paid by us. For instance, a settlement might require us to enter a license agreement under which we would pay substantial royalties or other compensation to a third party, diminishing our future economic returns from the related drug. In December 2013, we entered into a litigation settlement with the Research Foundation of the State University of New York (SUNY) pursuant to which we agreed to pay $12.0 million and certain other terms and conditions in exchange for the full release of certain breach of contract claims by SUNY.

In addition, from time to time, we are involved in legal proceedings where we or other third parties are enforcing or seeking intellectual property rights, invalidating or limiting patent rights that have already been allowed or issued, or otherwise asserting proprietary rights through one or more potential legal remedies. For example, we are currently involved in a German litigation proceeding whereby Bayer is seeking co-ownership rights in certain of our patent filings pending at the European Patent Office covering (among other things) PEGylated Factor VIII which we have exclusively licensed to Baxalta. The subject matter of our patent filings in this proceeding relates to Bayer's investigational PEGylated recombinant Factor VIII compound. We believe that Bayer's claim to an ownership interest in these patent filings is without merit and are vigorously defending sole and exclusive ownership rights to this intellectual property. We are also regularly involved in opposition proceedings at the European Patent Office where third parties seek to invalidate or limit the scope of our allowed European patent applications covering (among other things) our drugs and platform technologies. The cost to us in initiating or defending any litigation or other proceeding, even if resolved in our favor, could be substantial, and litigation would divert our management's attention. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could delay our research and development efforts or result in financial implications either in terms of seeking license arrangements or payment of damages or royalties.

Our manufacturing operations and those of our contract manufacturers are subject to laws and other governmental regulatory requirements, which, if not met, would have a material adverse effect on our business, results of operations and financial condition.

We and our contract manufacturers are required in certain cases to maintain compliance with current good manufacturing practices (cGMP), including cGMP guidelines applicable to active pharmaceutical ingredients, and with laws and regulations governing manufacture and distribution of controlled substances, and are subject to inspections by the FDA, the Drug Enforcement Administration or comparable agencies in other jurisdictions administering such requirements. We anticipate periodic regulatory inspections of our drug manufacturing facilities and the manufacturing facilities of our contract manufacturers for compliance with applicable regulatory requirements. Any failure to follow and document our or our contract manufacturers' adherence to such cGMP and other laws and governmental regulations or satisfy other manufacturing and product release regulatory requirements may disrupt our ability to meet our manufacturing obligations to our customers, lead to significant delays in the availability of products for commercial use or clinical study, result in the termination or hold on a clinical study or delay or prevent filing or approval of marketing applications for our products. Failure to comply with applicable laws and regulations may also result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our products, delays, suspension or withdrawal of approvals, license revocation, seizures, administrative detention, or recalls of products, operating restrictions and criminal prosecutions, any of which could harm our business. Regulatory inspections could result in costly manufacturing changes or facility or capital equipment upgrades to satisfy the FDA that our manufacturing and quality control procedures are in substantial compliance with cGMP. Manufacturing delays, for us or our contract manufacturers, pending resolution of regulatory deficiencies or suspensions could have a material adverse effect on our business, results of operations and financial condition.

If we or our contract manufacturers are not able to manufacture drugs or drug substances in sufficient quantities that meet applicable quality standards, it could delay clinical studies, result in reduced sales or constitute a breach of our contractual obligations, any of which could significantly harm our business, financial condition and results of operations.

If we or our contract manufacturers are not able to manufacture and supply sufficient drug quantities meeting applicable quality standards required to support large clinical studies or commercial manufacturing in a timely manner, it could delay our or our collaboration partners' clinical studies or result in a breach of our contractual obligations, which could in turn reduce the potential commercial sales of our or our collaboration partners' products. As a result, we could incur substantial costs and damages and any product sales or royalty revenue that we would otherwise be entitled to receive could be reduced, delayed or eliminated. In some cases, we rely on contract manufacturing organizations to manufacture and supply drug product for our clinical studies and those of our collaboration partners. Pharmaceutical manufacturing of drugs and devices involves significant risks and uncertainties related to the demonstration of adequate stability, sufficient purification of the drug substance and drug product, the identification and elimination of impurities, optimal formulations, process and analytical methods validations, device performance and challenges in controlling for all of these variables. We have faced and may in the future face significant difficulties, delays and unexpected expenses as we validate third party contract manufacturers required for drug and device supply to support our clinical studies and the clinical studies and products of our collaboration partners. Failure by us or our contract manufacturers to supply drug product or devices in sufficient quantities that meet all applicable quality requirements could result in supply shortages for our clinical studies or the clinical studies and commercial activities of our collaboration partners. Such failures could significantly and materially delay clinical trials and regulatory submissions or result in reduced sales, any of which could significantly harm our business prospects, results of operations and financial condition.

Building and validating large scale clinical or commercial-scale manufacturing facilities and processes, recruiting and training qualified personnel and obtaining necessary regulatory approvals is complex, expensive and time consuming. In the past we have encountered challenges in scaling up manufacturing to meet the requirements of large scale clinical trials without making modifications to the drug formulation, which may cause significant delays in clinical development. We experienced repeated significant delays in starting the Phase 3 clinical development program for Amikacin Inhale as we sought to finalize and validate the device design with a demonstrated capability to be manufactured at commercial scale. Drug/device combination products are particularly complex, expensive and time-consuming to develop due to the number of variables involved in the final product design, including ease of patient and doctor use, maintenance of clinical efficacy, reliability and cost of manufacturing, regulatory approval requirements and standards and other important factors. There continues to be substantial and unpredictable risk and uncertainty related to manufacturing and supply until such time as the commercial supply chain is validated and proven.

Our revenue is exclusively derived from our collaboration agreements, which can result in significant fluctuation in our revenue from period to period, and our past revenue is therefore not necessarily indicative of our future revenue.

Our revenue is exclusively derived from our collaboration agreements, from which we receive upfront fees, contract research payments, milestone and other contingent payments based on clinical progress, regulatory progress or net sales achievements, royalties and manufacturing revenue. Significant variations in the timing of receipt of cash payments and our recognition of revenue can result from significant payments based on the execution of new collaboration agreements, the timing of clinical outcomes, regulatory approval, commercial launch or the achievement of certain annual sales thresholds. The amount of our revenue derived from collaboration agreements in any given period will depend on a number of unpredictable factors, including our ability to find and maintain suitable collaboration partners, the timing of the negotiation and conclusion of collaboration agreements with such partners, whether and when we or our collaboration partners achieve clinical, regulatory and sales milestones, the timing of regulatory approvals in one or more major markets, reimbursement levels by private and government payers, and the market introduction of new drugs or generic versions of the approved drug, as well as other factors. Our past revenue generated from collaboration agreements is not necessarily indicative of our future revenue. If any of our existing or future collaboration partners fails to develop, obtain regulatory approval for, manufacture or ultimately commercialize any product candidate under our collaboration agreement, our business, financial condition, and results of operations could be materially and adversely affected.

If we are unable either to create sales, marketing and distribution capabilities or to enter into agreements with third parties to perform these functions, we will be unable to commercialize our product candidates successfully.

We currently have no sales, marketing or distribution capabilities. To commercialize any of our drugs that receive regulatory approval for commercialization, we must either develop internal sales, marketing and distribution capabilities, which would be expensive and time consuming, or enter into collaboration arrangements with third parties to perform these services. If we decide to market our products directly, we must commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. Factors that may inhibit our efforts to commercialize our products directly or indirectly with our partners include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to use or prescribe our products;
- the lack of complementary products or multiple product pricing arrangements may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating and sustaining an independent sales and marketing organization.

If we, or our partners through our collaborations, are not successful in recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty commercializing our products, which would adversely affect our business, results of operations and financial condition.

To the extent we rely on other pharmaceutical or biotechnology companies with established sales, marketing and distribution systems to market our products, we will need to establish and maintain partnership arrangements, and we may not be able to enter into these arrangements on acceptable terms or at all. To the extent that we enter into co-promotion or other arrangements, any revenue we receive will depend upon the efforts of third parties, which may not be successful and over which we have little or no control—important examples of this risk include MOVANTIK™ partnered with AstraZeneca and ADYNOVATE™ (previously referred to as BAX 855) partnered with Baxalta. In the event that we market our products without a partner, we would be required to build a sales and marketing organization and infrastructure, which would require a significant investment, and we may not be successful in building this organization and infrastructure in a timely or efficient manner.

We purchase some of the starting material for drugs and drug candidates from a single source or a limited number of suppliers, and the partial or complete loss of one of these suppliers could cause production delays, clinical trial delays, substantial loss of revenue and contract liability to third parties.

We often face very limited supply of a critical raw material that can only be obtained from a single, or a limited number of, suppliers, which could cause production delays, clinical trial delays, substantial lost revenue opportunities or contract liabilities to third parties. For example, there are only a limited number of qualified suppliers, and in some cases single source suppliers, for the raw materials included in our PEGylation and advanced polymer conjugate drug formulations. Any interruption in supply or failure to procure such raw materials on commercially feasible terms could harm our business by delaying our clinical trials, impeding commercialization of approved drugs or increasing our costs.

We rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, and any loss of such rights could harm our business, results of operations and financial condition.

We rely on trade secret protection for our confidential and proprietary information. No assurance can be given that others will not independently develop substantially equivalent confidential and proprietary information or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect our trade secrets. In addition, unpatented proprietary rights, including trade secrets and know-how, can be difficult to protect and may lose their value if they are independently developed by a third party or if their secrecy is lost. Any loss of trade secret protection or other unpatented proprietary rights could harm our business, results of operations and financial condition.

We expect to continue to incur substantial losses and negative cash flow from operations and may not achieve or sustain profitability in the future.

For the six months ended June 30, 2016, we reported a net loss of $68.1 million. If and when we achieve profitability depends upon a number of factors, including the timing and recognition of milestone and other contingent payments and royalties received, the timing of revenue under our collaboration agreements, the amount of investments we make in our proprietary product candidates and the regulatory approval and market success of our product candidates. We may not be able to achieve and sustain profitability.

Other factors that will affect whether we achieve and sustain profitability include our ability, alone or together with our partners, to:

- develop drugs utilizing our technologies, either independently or in collaboration with other pharmaceutical or biotech companies;
- effectively estimate and manage clinical development costs, particularly the cost of the clinical studies for NKTR-181 and NKTR-214;
- receive necessary regulatory and marketing approvals;
- maintain or expand manufacturing at necessary levels;
- achieve market acceptance of our partnered products;
- receive royalties on products that have been approved, marketed or submitted for marketing approval with regulatory authorities; and
- maintain sufficient funds to finance our activities.

If government and private insurance programs do not provide payment or reimbursement for our partnered products or proprietary products, those products will not be widely accepted, which would have a negative impact on our business, results of operations and financial condition.

In both domestic and foreign markets, sales of our partnered and proprietary products that have received regulatory approval will depend in part on market acceptance among physicians and patients, pricing approvals by government authorities and the availability of payment or reimbursement from third-party payers, such as government health administration authorities, managed care providers, private health insurers and other organizations. Such third-party payers are increasingly challenging the price and cost effectiveness of medical products and services. Therefore, significant uncertainty exists as to the pricing approvals for, and the payment or reimbursement status of, newly approved healthcare products. Moreover, legislation and regulations affecting the pricing of pharmaceuticals may change before regulatory agencies approve our proposed products for marketing and could further limit pricing approvals for, and reimbursement of, our products from government authorities and third-party payers. A government or third-party payer decision not to approve pricing for, or provide adequate coverage and reimbursements of, our products would limit market acceptance of such products.

We depend on third parties to conduct the clinical trials for our proprietary product candidates and any failure of those parties to fulfill their obligations could harm our development and commercialization plans.

We depend on independent clinical investigators, contract research organizations and other third-party service providers to conduct clinical trials for our proprietary product candidates. We rely heavily on these parties for successful execution of our clinical trials. Though we are ultimately responsible for the results of their activities, many aspects of their activities are beyond our control. For example, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trials, but the independent clinical investigators may prioritize other projects over ours or communicate issues regarding our products to us in an untimely manner. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The early termination of any of our clinical trial arrangements, the failure of third parties to comply with the regulations and requirements governing clinical trials or the failure of third parties to properly conduct our clinical trials could hinder or delay the development, approval and commercialization of our product candidates and would adversely affect our business, results of operations and financial condition.

Significant competition for our polymer conjugate chemistry technology platforms and our partnered and proprietary products and product candidates could make our technologies, products or product candidates obsolete or uncompetitive, which would negatively impact our business, results of operations and financial condition.

Our PEGylation and advanced polymer conjugate chemistry platforms and our partnered and proprietary products and product candidates compete with various pharmaceutical and biotechnology companies. Competitors of our PEGylation and polymer conjugate chemistry technologies include Biogen Inc., Savient Pharmaceuticals, Inc., Dr. Reddy’s Laboratories Ltd., SunBio Corporation, Mountain View Pharmaceuticals, Inc., Novo Nordisk A/S (formerly assets held by Neose Technologies, Inc.), and NOF Corporation. Several other chemical, biotechnology and pharmaceutical companies may also be developing PEGylation technologies or technologies that have similar impact on target drug molecules. Some of these companies license or provide the technology to other companies, while others are developing the technology for internal use.

There are many competitors for our proprietary product candidates currently in development. For Amikacin Inhale, the current standard of care includes several approved intravenous antibiotics for the treatment of either hospital-acquired pneumonia or ventilator-associated pneumonia in patients on mechanical ventilators. For MOVANTIK™, there are currently several alternative therapies used to address opioid-induced constipation (OIC) and opioid-induced bowel dysfunction (OBD), including Relistor® (methylnaltrexone bromide) Subcutaneous Injection, oral Amitizia (lubiprostone), and oral and rectal over-the-counter laxatives and stool softeners such as docusate sodium, senna and milk of magnesia. In addition, there are a number of companies developing potential products which are in various stages of clinical development and are being evaluated for the treatment of OIC and OBD in different patient populations, including Merck & Co., Inc., Progenics Pharmaceuticals, Inc. in collaboration with Salix Pharmaceuticals, Ltd., Mundipharma Int. Limited, Sucampo Pharmaceuticals, Inc., Develco Pharma GmbH, Alkermes plc, GlaxoSmithKline plc, Theravance, Inc., and Takeda Pharmaceutical Company Limited. For ADYNOVATE™, on June 6, 2014, the FDA approved Biogen Idec's ELOCTATE™ for the control and prevention of bleeding episodes, perioperative (surgical) management and routine prophylaxis in adults and children with Hemophilia A, and Bayer Healthcare and Novo Nordisk have ongoing Phase 3 clinical development programs for longer acting Factor VIII proteins based on pegylation technology approaches. For NKTR-181, there are numerous companies developing pain therapies designed to have less abuse potential primarily through formulation technologies and techniques applied to existing pain therapies. For NKTR-102 there are a number of chemotherapies and cancer therapies approved today and in various stages of clinical development for breast cancer, including, but not limited to: Abraxane® (paclitaxel protein-bound particles for injectable suspension (albumin bound)), Xeloda® (capecitabine), Afinitor® (everolimus), Doxil® (doxorubicin HCl), Ellence® (epirubicin), Gemzar® (gemcitabine), Halaven® (eribulin), Herceptin® (trastuzumab), Hycamtin® (topotecan), Ibrance® (palbociclib), Ixempra® (ixabepilone), Navelbine® (vinolrebine), Iniparib, Paraplatin® (carboplatin), Taxol® (paclitaxel) and Taxotere® (docetaxel). Major pharmaceutical or biotechnology companies with approved drugs or drugs in development for breast cancers include, but are not limited to, Bristol-Meyers Squibb Company, Eli Lilly & Co., Roche, GlaxoSmithKline plc, Johnson and Johnson, Pfizer Inc., Eisai Inc., and Sanofi Aventis S.A. There are numerous companies engaged in developing immunotherapies to be used alone, or in combination, to treat a wide range of oncology indications targeting both solid and liquid tumors. In particular, we expect to compete with therapies with tumor infiltrating lymphocytes, or TILS, chimeric antigen receptor-expressing T cells, or CAR-T, cytokine-based therapies, and checkpoint inhibitors. Potential competitors in the TIL and CAR-T space include Kite Pharma/NCI, Adaptimmune LLC, Celgene Corporation, Juno Therapeutics, and Novartis, Alkermes, Altor, and Armo in the cytokine-based therapies space, and Tesaro, Macrogenics, Merck, BMS, and Roche in the checkpoint inhibitor space.

There can be no assurance that we or our partners will successfully develop, obtain regulatory approvals for and commercialize next-generation or new products that will successfully compete with those of our competitors. Many of our competitors have greater financial, research and development, marketing and sales, manufacturing and managerial capabilities. We face competition from these companies not just in product development but also in areas such as recruiting employees, acquiring technologies that might enhance our ability to commercialize products, establishing relationships with certain research and academic institutions, enrolling patients in clinical trials and seeking program partnerships and collaborations with larger pharmaceutical companies. As a result, our competitors may succeed in developing competing technologies, obtaining regulatory approval or gaining market acceptance for products before we do. These developments could make our products or technologies uncompetitive or obsolete.

If product liability lawsuits are brought against us, we may incur substantial liabilities.

The manufacture, clinical testing, marketing and sale of medical products involve inherent product liability risks. If product liability costs exceed our product liability insurance coverage, we may incur substantial liabilities that could have a severe negative impact on our financial position. Whether or not we are ultimately successful in any product liability litigation, such litigation would consume substantial amounts of our financial and managerial resources and might result in adverse publicity, all of which would impair our business. Additionally, we may not be able to maintain our clinical trial insurance or product liability insurance at an acceptable cost, if at all, and this insurance may not provide adequate coverage against potential claims or losses.

Our future depends on the proper management of our current and future business operations and their associated expenses.

Our business strategy requires us to manage our business to provide for the continued development and potential commercialization of our proprietary and partnered drug candidates. Our strategy also calls for us to undertake increased research and development activities and to manage an increasing number of relationships with partners and other third parties, while simultaneously managing the capital necessary to support this strategy. If we make a decision to bear a majority or all of the clinical development costs of NKTR-102 this will substantially increase our future capital requirements. If we are unable to manage effectively our current operations and any growth we may experience, our business, financial condition and results of operations may be adversely affected. If we are unable to effectively manage our expenses, we may find it necessary to reduce our personnel-related costs through reductions in our workforce, which could harm our operations, employee morale and impair our ability to retain and recruit talent. Furthermore, if adequate funds are not available, we may be required to obtain funds through arrangements with partners or other

sources that may require us to relinquish rights to certain of our technologies, products or future economic rights that we would not otherwise relinquish or require us to enter into other financing arrangements on unfavorable terms.

We are dependent on our management team and key technical personnel, and the loss of any key manager or employee may impair our ability to develop our products effectively and may harm our business, operating results and financial condition.

Our success largely depends on the continued services of our executive officers and other key personnel. The loss of one or more members of our management team or other key employees could seriously harm our business, operating results and financial condition. The relationships that our key managers have cultivated within our industry make us particularly dependent upon their continued employment with us. We are also dependent on the continued services of our technical personnel because of the highly technical nature of our products and the regulatory approval process. Because our executive officers and key employees are not obligated to provide us with continued services, they could terminate their employment with us at any time without penalty. We do not have any post-employment noncompetition agreements with any of our employees and do not maintain key person life insurance policies on any of our executive officers or key employees.

Because competition for highly qualified technical personnel is intense, we may not be able to attract and retain the personnel we need to support our operations and growth.

We must attract and retain experts in the areas of clinical testing, manufacturing, research, regulatory and finance, and may need to attract and retain marketing and distribution experts and develop additional expertise in our existing personnel. We face intense competition from other biopharmaceutical companies, research and academic institutions and other organizations for qualified personnel. Many of the organizations with which we compete for qualified personnel have greater resources than we have. Because competition for skilled personnel in our industry is intense, companies such as ours sometimes experience high attrition rates with regard to their skilled employees. Further, in making employment decisions, job candidates often consider the value of the stock options they are to receive in connection with their employment. Our equity incentive plan and employee benefit plans may not be effective in motivating or retaining our employees or attracting new employees, and significant volatility in the price of our stock may adversely affect our ability to attract or retain qualified personnel. If we fail to attract new personnel or to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

If earthquakes or other catastrophic events strike, our business may be harmed.

Our corporate headquarters, including a substantial portion of our research and development operations, are located in the San Francisco Bay Area, a region known for seismic activity and a potential terrorist target. In addition, we own facilities for the manufacture of products using our PEGylation and advanced polymer conjugate technologies in Huntsville, Alabama and own and lease offices in Hyderabad, India. There are no backup facilities for our manufacturing operations located in Huntsville, Alabama. In the event of an earthquake or other natural disaster, political instability, or terrorist event in any of these locations, our ability to manufacture and supply materials for drug candidates in development and our ability to meet our manufacturing obligations to our customers would be significantly disrupted and our business, results of operations and financial condition would be harmed. Our collaborative partners may also be subject to catastrophic events, such as earthquakes, floods, hurricanes and tornadoes, any of which could harm our business, results of operations and financial condition. We have not undertaken a systematic analysis of the potential consequences to our business, results of operations and financial condition from a major earthquake or other catastrophic event, such as a fire, sustained loss of power, terrorist activity or other disaster, and do not have a recovery plan for such disasters. In addition, our insurance coverage may not be sufficient to compensate us for actual losses from any interruption of our business that may occur.

We have implemented certain anti-takeover measures, which make it more difficult to acquire us, even though such acquisitions may be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even though such acquisitions may be beneficial to our stockholders. These anti-takeover provisions include:

- establishment of a classified board of directors such that not all members of the board may be elected at one time;
- lack of a provision for cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the ability of our board to authorize the issuance of “blank check” preferred stock to increase the number of outstanding shares and thwart a takeover attempt;

- prohibition on stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of stockholders;
- establishment of advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- limitations on who may call a special meeting of stockholders.

Further, provisions of Delaware law relating to business combinations with interested stockholders may discourage, delay or prevent a third party from acquiring us. These provisions may also discourage, delay or prevent a third party from acquiring a large portion of our securities or initiating a tender offer or proxy contest, even if our stockholders might receive a premium for their shares in the acquisition over the then-current market prices. We also have a change of control severance benefit plan, which provides for certain cash severance, stock award acceleration and other benefits in the event our employees are terminated (or, in some cases, resign for specified reasons) following an acquisition. This severance plan could discourage a third party from acquiring us.

The price of our common stock is expected to remain volatile.

Our stock price is volatile. During the three months ended June 30, 2016, based on closing prices on The NASDAQ Global Select Market, the closing price of our common stock ranged from $13.09 to $16.28 per share. We expect our stock price to remain volatile. A variety of factors may have a significant effect on the market price of our common stock, including the risks described in this section titled “Risk Factors” and the following:

- announcements of data from, or material developments in, our clinical studies and those of our collaboration partners, including data regarding efficacy and safety, delays in clinical development, regulatory approval or commercial launch;
- announcements by collaboration partners as to their plans or expectations related to drug candidates and approved drugs in which we have a substantial economic interest;
- announcements regarding terminations or disputes under our collaboration agreements;
- fluctuations in our results of operations;
- developments in patent or other proprietary rights, including intellectual property litigation or entering into intellectual property license agreements and the costs associated with those arrangements;
- announcements of technological innovations or new therapeutic products that may compete with our approved products or products under development;
- announcements of changes in governmental regulation affecting us or our competitors;
- litigation brought against us or third parties to whom we have indemnification obligations;
- public concern as to the safety of drug formulations developed by us or others;
- our financing needs and activities; and
- general market conditions.

At times, our stock price has been volatile even in the absence of significant news or developments. The stock prices of biotechnology companies and securities markets generally have been subject to dramatic price swings in recent years.

The indenture governing our 7.75% senior secured notes imposes significant operating and financial restrictions on us and our subsidiaries that may prevent us from pursuing certain business opportunities and restrict our ability to operate our business.

On October 5, 2015, we issued $250.0 million in aggregate principal amount of 7.75% senior secured notes due October 2020. The indenture governing the senior secured notes contains covenants that restrict our and our subsidiaries’ ability to take various actions, including, among other things:

- incur or guarantee additional indebtedness or issue disqualified capital stock or cause certain of our subsidiaries to issue preferred stock;
- pay dividends or distributions, redeem equity interests or subordinated indebtedness or make certain types of investments;
- create or incur liens;
- transfer, sell, lease or otherwise dispose of assets and issue or sell equity interests in certain of our subsidiaries;

- incur restrictions on certain of our subsidiaries' ability to pay dividends or other distributions to the Company or to make intercompany loans, advances or asset transfers;
- enter into transactions with affiliates;
- engage in any business other than businesses which are the same, similar, ancillary or reasonably related to our business as of the date of the indenture; and
- consummate a merger, consolidation, reorganization or business combination, sell, lease, convey or otherwise dispose of all or substantially all of our assets or other change of control transaction.

This indenture also requires us to maintain a minimum cash balance of $60.0 million. We have certain reporting obligations under the indenture regarding cash position and royalty revenue. The indenture specifies a number of events of default, some of which are subject to applicable grace or cure periods, including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults, non-payment of material judgments, loss of any material business license, criminal indictment of the Company, and certain civil forfeiture proceedings involving material assets of the Company. Our ability to comply with these covenants will likely be affected by many factors, including events beyond our control, and we may not satisfy those requirements. Our failure to comply with our obligations could result in an event of default under our other indebtedness and the acceleration of our other indebtedness, in whole or in part, could result in an event of default under the indenture governing the senior secured notes.

The restrictions contained in the indenture governing the senior secured notes could also limit our ability to plan for or react to market conditions, meet capital needs or otherwise restrict our activities or business plans and adversely affect our ability to finance our operations, enter into acquisitions or to engage in other business activities that would be in our interest.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None, including no purchases of any class of our equity securities by us or any affiliate pursuant to any publicly announced repurchase plan in the three months ended June 30, 2016.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Except as so indicated in Exhibits 32.1 and 101, the following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Documents
10.1(1)	Collaboration and License Agreement dated as of May 30, 2016, by and between Daiichi Sankyo Europe GmbH and Nektar Therapeutics.+
31.1(1)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(1)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1*	Section 1350 Certifications.
101**	The following materials from Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Operations, (iii) the unaudited Condensed Consolidated Statements of Comprehensive Loss, (iv) the unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

+ Confidential treatment with respect to specific portions of this Exhibit has been requested, and such portions are omitted and have been filed separately with the SEC.

(1) Filed herewith.

* Exhibit 32.1 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as otherwise stated in such filing.

** XBRL information is filed herewith.

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.

By: /s/ GIL M. LABRUCHERIE
Gil M. Labrucherie
Senior Vice President and Chief Financial Officer
Date: August 4, 2016

By: /s/ JILLIAN B. THOMSEN
Jillian B. Thomsen
Senior Vice President, Finance and Chief Accounting Officer
Date: August 4, 2016

EXHIBIT INDEX

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Exhibit 10.1

COLLABORATION AND LICENSE AGREEMENT

by and between

DAIICHI SANKYO EUROPE GMBH

and

NEKTAR THERAPEUTICS

DATE: May 30, 2016

TABLE OF CONTENTS

Exhibits

This Collaboration and License Agreement (the "**Agreement**") is made as of the 30 day of May, 2016 (the "**Effective Date**"), by and between

(1) Daiichi Sankyo Europe GmbH, a company with limited liability incorporated under German law with offices at Zielstattstr. 48, 81379 Munich, Germany ("**Daiichi Sankyo**"); and

(2) Nektar Therapeutics, a Delaware corporation with offices at 455 Mission Bay Boulevard South, San Francisco, California, USA 94158 ("**Nektar**").

Recitals

(A) WHEREAS, Nektar is Developing and Controls Intellectual Property Rights covering the Licensed Product;

(B) WHEREAS, Daiichi Sankyo has experience in, among other things, the Development and Commercialization of pharmaceutical compounds in the Territory; and

(C) WHEREAS, Nektar desires to supply and to grant, a license to Daiichi Sankyo, and Daiichi Sankyo desires to receive a license, to Commercialize the Licensed Product in the Territory in accordance with the terms and conditions set forth below.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Definitions and Interpretations.

1.1 Definitions. Unless otherwise specifically provided herein, the following terms, when used with a capital letter at the beginning, shall have the following meanings:

"**Actual Labeled Indication**" means the labeling for the Licensed Product for the Primary Indication in the form approved by the applicable Health Authority in the Final Marketing Authorization for the EMA Territory.

"**Actual Labeled Indication Population**" means the number of patients in the EMA Territory for the Actual Labeled Indication, as of the date of the receipt of Final Marketing Authorization.

"**Adverse Event**" means the development of an undesirable medical condition or the deterioration of a pre-existing medical condition in a patient or clinical investigation subject following or during exposure to or use of a Licensed Product, whether or not considered causally related to such Licensed Product, the exacerbation of any pre-existing condition(s) occurring following or during the use of the Licensed Product, or any other adverse experience or adverse drug experience (as described in any applicable corresponding regulations in countries within the

Territory, as may be amended from time to time) occurring following or during exposure to or use of a Licensed Product.

"**Affiliate**" means, with respect to a particular Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. "**Control**" as used in this definition, and, with correlative meanings, the terms "controlled by" and "under common control with", means (a) direct or indirect ownership of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or fifty percent (50%) or more of the equity interest in the case of any other type of legal entity; (b) status as a general partner in any partnership; or (c) any other arrangement whereby a Person has the power to direct and control the management or policies of another Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance, resolution, regulation or otherwise. In the case of entities organized under the laws of certain countries, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%), and in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity.

"**Agreed Indication**" means a particular use for a Licensed Product in the Licensed Field that is (a) the Primary Indication, and (b) any New Indication, approved pursuant to Section 4.2.

"**Agreement**" has the meaning set forth in the preamble.

"**Ancillary Agreements**" means, collectively, the Pharmacovigilance Agreement, the Quality Agreement and the Supply Agreement.

"**Annual Net Sales**" means the aggregate Net Sales made during a given Calendar Year.

"**Anti-Corruption Laws**" means the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other applicable anti-corruption laws and laws for the prevention of fraud, racketeering, money laundering or terrorism in the Territory.

"**Anticipated Labeled Indication**" means the labeling for the Licensed Product for the Primary Indication in the form in which it is submitted to the EMA in the Conditional MAA by Nektar, which is expected to be substantially similar to either the Narrow Labeled Indication or the Broad Labeled Indication, depending on the regulatory strategy decision made by Nektar after consultation with Daiichi Sankyo through the JSC.

"**Anticipated Labeled Indication Population**" means the number of patients in the EMA Territory for the Anticipated Labeled Indication, as of the date of submission of the Conditional MAA by Nektar.

"**Applicable Law**" means individually and collectively, any applicable laws, rules and regulations, including any rules, regulations, guidelines or other requirements of the Health Authorities, that may be in effect from time to time.

"**Arbitrator**" has the meaning set forth in Section 7.2(b).

"**Bankruptcy Code**" means Title 11, United States Code, as amended, or analogous provisions of Applicable Law outside the United States.

"**BCBM**" means metastatic breast cancer in adult patients with brain metastases and/or a history of brain metastases.

"**BCBM Trial Protocol**" means that certain Clinical Trial Protocol entitled "A Phase 3 Open-Label, Randomized, Multicenter Study of NKTR-102 versus Treatment of Physician's Choice (TPC) in Patients with Metastatic Breast Cancer Who Have Stable Brain Metastases and Have Been Previously Treated with an Anthracycline, a Taxane, and Capecitabine," a summary of which is set forth on Exhibit C of this Agreement, as amended from time to time in accordance with Section 4.1.

"**BCBM Trial**" means that certain Phase 3 Clinical Study to be conducted by Nektar pursuant to the BCBM Trial Protocol.

"**Breaching Party**" has the meaning set forth in Section 16.2(a).

"**Broad Labeled Indication**" means the following: treatment of adult patients with advanced breast cancer [***].

"**Business Day**" means any day other than (a) Saturday or Sunday, (b) any other day on which national banks in New York, New York are generally permitted or required to be closed, (c) any other day on which national banks in Munich, Germany are generally permitted or required to be closed, or (d) the nine (9) consecutive days beginning on December 24th and continuing through January 1st to the extent not already covered in (a), (b) or (c).

"**Calendar Quarter**" means each successive period of three (3) calendar months commencing on January 1st, April 1st, July 1st and October 1st.

"**Calendar Year**" means each successive period of twelve (12) calendar months commencing on January 1st.

"**Change of Control**" means, with respect to a Party: (a) the sale, conveyance, transfer or lease of all or substantially all of such Party's assets or business relating to this Agreement to any Third Party; (b) a merger, reorganization or consolidation involving such Party in which the total voting power of the stock of such Party outstanding immediately prior thereto ceases to represent at least [***] of the combined voting power of the stock outstanding of the surviving entity normally entitled to vote in elections of directors immediately after such merger, reorganization or consolidation; or (c) a Person or group of Persons acting in concert becoming

the beneficial owner, directly or indirectly, of more than [***] of the total voting power of the stock then outstanding of such Party normally entitled to vote in elections of directors.

"**Clinical Study**" means a human clinical study conducted on human subjects, including any Phase 1 Clinical Study, Phase 2 Clinical Study or Phase 3 Clinical Study.

"**Commercialization Plan**" has the meaning set forth in Section 5.2.

"**Commercialize**" or "**Commercializing**" means to market, promote, distribute, offer for sale, sell, have sold, import, have imported, export, have exported or otherwise commercialize a compound or product, including establishing the price, reimbursement and formulary listing for such compound or product, but excluding for the avoidance of doubt, Manufacturing. When used as a noun, "**Commercialization**" means any and all activities involved in Commercializing.

"**Commercially Reasonable Efforts**" means, with respect to the efforts to be expended by a Party with respect to any objective under this Agreement, diligent efforts to accomplish such objective that are consistent with the then current usual practice of such Party in pursuing the Manufacture, Development or Commercialization, as the case may be, of its other comparable compounds or products, it being understood and agreed that, with respect to the Development, Manufacture or Commercialization of the Licensed Product, as the case may be, conducting such tasks using such efforts and resources that are typically used by such Party and its Affiliates in conducting the same tasks on its own comparable compounds or products, which means compounds and products with similar commercial and scientific potential at a similar stage in their lifecycle, taking into consideration safety and efficacy, the cost to Develop, the competitiveness of alternative compounds and products, the cost of goods, the nature and extent of market exclusivity (including Patent coverage and regulatory data protection), the likelihood of Health Registration Approval, expected profitability and all other factors that are typically taken into consideration by such Party and its Affiliates when determining the level of efforts and resources to apply to such tasks with respect to its own similar compounds or products (as described above). Further, to the extent that a Party's obligations hereunder or a Party's ability to exercise its rights hereunder are adversely affected by the other Party's failure to perform any of its respective obligations hereunder or by the other Party's breach of any of its representations or warranties hereunder, such affected Party shall be relieved of its obligations to perform any affected obligations hereunder to the extent such obligations are impacted by the failure to perform and the impact of such other Party's performance failure or breach will be taken into account in determining whether such affected Party has used its Commercially Reasonable Efforts hereunder.

"**Competing Product**" means a [***] which has approved labeling for the [***], other than the Licensed Product. [***] as used in the preceding sentence shall not include [***].

"**Competitor**" means a Person engaged in the business of Commercializing [***] in any country in the Territory.

"**Complaining Party**" has the meaning set forth in Section 16.2(a).

"**Conditional MAA"** means a conditional marketing authorization application for a medicinal product for human use pursuant to Regulation (EC) 507/2006, falling within the scope of Regulation (EC) 726/2004 of the European Parliament and of the Council, each as amended from to time, or the equivalent application required by the applicable Health Authority under the provisions of Applicable Law in a country within the Other Territory.

"**Conditional Marketing Authorization**" means (a) authorization by the applicable Health Authority of a Conditional MAA for the Licensed Product for the Primary Indication in the EMA Territory; and (b) authorization by the applicable Health Authority of a Conditional MAA for the Licensed Product for the Primary Indication in a country within the Other Territory.

"**Confidential Information**" of a Party means, subject to Section 10.3, any and all confidential or proprietary information of such Party or its Affiliates, including data, results, know-how (including the Licensed Know-How), plans, business information and other Information, whether oral or in writing or in any other form, and whether or not such information is identified as confidential at the time of disclosure if a reasonable person receiving such information would have known it to be confidential (with the burden of proof for such showing on the disclosing Party), which is disclosed prior to or after the Effective Date of this Agreement by or on behalf of such Party (or any of its Affiliates or Representatives) to the other Party (or any of its Affiliates or Representatives). As set forth in Section 10.4, the terms and conditions of this Agreement shall be considered Confidential Information of both Parties.

"**Confidentiality Agreements**" means (a) that certain Mutual Confidential Disclosure Agreement, dated as of April 23, 2015, by and between Nektar and Daiichi Sankyo Europe GmbH; and (b) that certain Mutual Confidential Disclosure Agreement, dated as of May 19, 2015, by and between Nektar and Daiichi Sankyo, Inc.

"**Control"** means, with respect to any item of Information, Patent or other Intellectual Property Right, that the applicable Party or its Affiliates owns or has a license under such Information, Patent or other Intellectual Property Right and has the legal right to assign, or grant a license, sublicense or other applicable right to or under, such Information, Patent or other Intellectual Property Right to the other Party as provided for herein without violating the terms of any agreement or other arrangement with any Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

"**Cover**", "**Covering**" or "**Covered**" means that, but for a license granted to a Person under a claim included in a Patent, the use, sale, offer for sale, manufacturing, importation or other exploitation of such Licensed Product in the Territory by such Person would infringe such claim.

"**CTA**" means a clinical trial application or other documentation required to be filed with the applicable Health Authority for authorization to commence Clinical Studies in the applicable jurisdiction.

"**Cure Period**" has the meaning set forth in Section 16.2(a).

"**Daiichi Sankyo Core Technology**" means technology encompassing (a) [***]; (b) [***]; and (c) [***].

"**Daiichi Sankyo Core Technology Inventions**" has the meaning set forth in Section 9.2(b).

"**Daiichi Sankyo Parties**" has the meaning set forth in Section 12.2.

"**Debtor**" has the meaning set forth in Section 16.2(b).

"**Develop**" or "**Developing**" means any and all drug development activities conducted before or after obtaining Health Registration Approval that are reasonably related to or leading to the development, preparation and submission of data and information to a Health Authority for the purpose of obtaining, supporting or expanding a Health Registration Approval, including but not limited to all activities related to pharmacokinetic profiling, design and conduct of pre-clinical development, non-clinical development, pre-clinical studies, *in vitro* studies, Clinical Studies, other studies and scientific activities ordinarily conducted in the pharmaceutical industry in the EMA Territory as a prerequisite to or in connection with a Clinical Study, regulatory affairs, statistical analysis, report writing and regulatory filing creation and submission, but excluding for the avoidance of doubt, Research and Manufacturing. When used as a noun, "**Development**" means any and all activities involved in Developing.

"**Development Plan**" has the meaning set forth in Section 4.2.

"**Disclosing Party**" has the meaning set forth in Section 10.1.

"**EC Community Code**" means Directive 2001/83/EC issued by the European Parliament and of the Council on the Community code on November 6, 2001, as amended from time to time.

"**Effective Date**" has the meaning set forth in the preamble.

"**EMA**" means the European Medicines Agency, and any successor agency thereto.

"**EMA Territory**" means those countries in the Territory subject to the jurisdiction of the EMA.

"**Enforcing Party**" has the meaning set forth in Section 14.3.

"**European Economic Area**" means those countries that are party to that certain European Economic Area Agreement dated as of January 1, 1994, as amended from time to time.

"**Executives**" means, (a) with respect to Daiichi Sankyo, Head, Affiliate and Brand Management and (b) with respect to Nektar, the CEO of Nektar.

"**Final Marketing Authorization**" means Health Registration Approval by the applicable Health Authority for the Licensed Product for the Primary Indication in the EMA Territory.

"**First Commercial Sale**" means the first sale for monetary value for use or consumption by the general public of a Licensed Product in a country in the Territory after Health Registration Approval and Pricing Approval for such Licensed Product has been obtained in such country.

"**Force Majeure**" has the meaning set forth in Section 19.1(a).

"**Force Majeure Party**" means a Party prevented or delayed in its performance under this Agreement by an event of Force Majeure.

"**GAAP**" means generally accepted accounting principles in the United States, consistently applied.

"**Generic Product**" means a product with the same active ingredient as the Licensed Product and which is approved in reliance, in whole or in part, on the applicable Marketing Authorization of such Licensed Product as determined by the applicable Health Authority under the provisions of Applicable Law in each jurisdiction in the Territory.

"**Government Authority**" or "**Government Authorities**" means any federal, state, national, regional, provincial or local government or political subdivision thereof, or any multinational organization or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof, or any governmental arbitrator or arbitral body).

"**Health Authority**" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise having legal authority with respect to the Development, Manufacture, use or Commercialization of the Licensed Product in the Territory.

"**Health Registration Approval**" means, with respect to the Licensed Product in any country in the Territory, any and all approvals, licenses, registrations or authorizations of any Health Authority necessary for the commercial sale of such Licensed Product in such country, including a Conditional Marketing Authorization, Final Marketing Authorization, or other Marketing Authorization, but excluding any pricing or reimbursement approvals.

"**IFRS**" means the International Financial Reporting Standards developed by the International Accounting Standards Board, consistently applied.

"**Indemnification Claim Notice**" has the meaning set forth in Section 12.3.

"**Indemnitee**" has the meaning set forth in Section 12.3.

"**Indemnitor**" has the meaning set forth in Section 12.3.

"**Information**" means all technical, scientific, business and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results, laboratory notes and notebooks, and other material, including: high-throughput screening, gene expression, genomics, proteomics and other drug discovery and Development technology; formulation; biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols; assays and biological methodology; Manufacturing and quality control procedures and data, including test procedures; and synthesis, purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, but excluding the Regulatory Documentation.

"**Infringement Suit**" has the meaning set forth in Section 15.2.

"**Intellectual Property Rights**" means Patents, Information, Trademarks, copyrights (including rights in computer software), domain names, database rights and any rights or property similar to any of the foregoing in any part of the world, whether registered or not, together with the right to apply for the registration of any such rights.

"**Invalidity Action**" has the meaning set forth in Section 15.1(a).

"**Invention**" means any invention, discovery, development or modification, whether or not patented or patentable, including Information, that is conceived, reduced to practice, discovered, developed or otherwise made at any time during the Term, including any enhancement in the efficiency, operation, Manufacture, ingredients, preparation, presentation, formulation, means of delivery or dosage of a Licensed Product, any discovery or development of any new or expanded Indications for a Licensed Product, and any discovery or development that improves the stability, safety or efficacy of a Licensed Product.

"**Joint Inventions**" has the meaning set forth in Section 9.2.

"**JSC**" has the meaning set forth in Section 3.1.

"**Legal Matter**" means any dispute regarding the rights or obligations of a Party that arise out of or relate to the existence, negotiation, validity, formation, interpretation, breach, performance or application of this Agreement or any Ancillary Agreement.

"**Licensed Field**" means all therapeutic, prophylactic and diagnostic uses in humans.

"**Licensed Know-How**" means all Information, other than New NKTR-102 Data, that (a) is Controlled by Nektar or its Affiliates as of the Effective Date or at any time until the

end of the Term, and (b) is necessary or otherwise directly related to, the Development or Commercialization of the Licensed Product.

"**Licensed Patent Action**" has the meaning set forth in Section 16.4.

"**Licensed Patents**" means (a) the Licensed Product Patents, and (b) any other Patents granted or pending in a country or jurisdiction within the Territory that are Controlled by Nektar or its Affiliates during the Term that have one or more claims that Cover any Licensed Product or the use or sale thereof.

"**Licensed Product**" means the pharmaceutical product containing (i) NKTR-102 (free base), (ii) NKTR-102 derivatives, and (iii) any salts of (i) or (ii).

"**Licensed Product Patents**" means those patent applications set forth in Exhibit A of this Agreement, and any patent granted in a country or jurisdiction within the Territory that issues therefrom.

"**Losses**" means any and all costs, liabilities, losses, obligations, claims, causes of action, damages, deficiencies, expenses, judgments, awards, assessments or amounts paid in settlement, including interest, penalties, costs of investigation and defense and reasonable attorneys' fees and disbursements.

"**MA**" or "**Marketing Authorization**" means a marketing authorization issued by a Health Authority to import, market and sell a Licensed Product in any country in the Territory.

"**MAA**" means a marketing authorization application filed for Health Registration Approval to import, market and sell a Licensed Product in any country in the Territory.

"**Manufacture**" and "**Manufacturing**" means, with respect to a product or compound, the synthesis, manufacturing, processing, formulating, packaging, labeling, holding and quality control testing of such product or compound up to and including the primary container, suitably labeled and packaged for storage and transportation, in bulk quantities. For clarity Manufacture and Manufacturing does not include Packaging.

"**Narrow Labeled Indication**" means the following: treatment of adult patients with advanced breast cancer [***].

"**Narrow Labeled Indication Population**" means the number of patients in the EMA Territory for the Narrow Labeled Indication, as of the Effective Date.

"**Nektar Account**" means [***]

"**Nektar Core Technology**" means technology encompassing (a) [***]; (b) [***]; (c) [***]; (d) [***]; (e) [***]; and (f) [***].

"**Nektar Core Technology Inventions**" has the meaning set forth in Section 9.2(a).

"**Nektar House Marks**" means (i) the corporate logo of Nektar, (ii) the trademark "NEKTAR", (iii) any other trademark, trade name or service mark (whether registered or unregistered) containing the word "NEKTAR", and (iv) any other trademark or service mark associated with goods or services of NEKTAR, but excluding the Nektar Marks and trademarks, trade names or service marks associated with goods or services outside the scope of this Agreement; and all Intellectual Property Rights residing in any of the foregoing set forth in Exhibit B-2 of this Agreement.

"**Nektar Marks**" means those Trademarks set forth in Exhibit B-1 this Agreement.

"**Nektar Party**" has the meaning set forth in Section 12.1.

"**Net Sales**" means the gross invoiced amount on sales of the Licensed Product by Daiichi Sankyo, its Affiliates and Sublicensees to Third Parties (other than Sublicensees) commencing on the First Commercial Sale. Net Sales shall be reduced by the following, to the extent included in the amount invoiced and consistent with the internal audited systems of Daiichi Sankyo (or its Affiliates or Sublicensees) in accordance with IFRS:

(a) customary trade and quantity discounts actually allowed or taken (and any related wholesaler chargebacks actually allowed or taken);

(b) allowances actually given for returned Licensed Product;

(c) freight and insurance, if separately identified on the invoice;

(d) mandatory discounts or rebates imposed by any Government Authority against Daiichi Sankyo or its Affiliates or Sublicensees (including any clawbacks or similar pharma taxes directly related to the Licensed Product and paid directly by Daiichi Sankyo or its Affiliates or Sublicensees, or, in the case of clawbacks related to aggregate sales of Daiichi Sankyo or its Affiliates or Sublicensees, such portion of the clawback as shall be reasonably determined by Daiichi Sankyo based on the proportion between the share of Net Sales hereunder and aggregate sales of Daiichi Sankyo);

(e) trade allowances or rebates, including any federal, state and/or local government-mandated programs which qualify for or require a manufacturer/distributor rebate;

(f) value-added tax, sales, use or turnover taxes, excise taxes and customs duties assessed by Government Authorities on the sale of the Licensed Product; and

(g) other reductions or specifically identifiable amounts deducted for reasons similar to those listed above in accordance with IFRS; provided that no item shall be deducted pursuant to this clause (g) if included in any other deduction provided for under clauses (a)–(f) above.

Net Sales shall be deemed to accrue upon the date of the invoice for the Licensed Product. In addition, Daiichi Sankyo's Net Sales hereunder are subject to the following:

(i) In the case of pharmacy incentive programs involving the Licensed Product and other products; hospital performance incentive program charge backs involving the Licensed Product and other products; disease management programs or other programs involving the Licensed Product and other products; or discounts on "bundles" or any groups of products involving the Licensed Product and other products, for the purpose of calculating Net Sales hereunder, all discounts and the like shall be deemed to have been allocated equally among all products (the Licensed Product and other products) as the basis on which such discounts and the like were accrued, or if such basis cannot be determined, proportionately based on the list price of such Licensed Product and other products (regardless of the actual prices paid by the customer). Notwithstanding the foregoing, in the case of discounts on bundles or any groups of products involving the Licensed Product and other products, if in any Calendar Quarter the discount from list price offered for any Licensed Product is greater (in percentage terms) than the discount offered from list price for any other product in the same bundle or group of products, then for the purpose of calculating Net Sales hereunder, all such discounted sales of the Licensed Product during such Calendar Quarter shall be deemed to have been made at the list price for the applicable Licensed Product during the relevant Calendar Quarter (regardless of the actual prices paid by the customer).

(ii) In the case of any sale or other disposal of Licensed Product by Daiichi Sankyo to an Affiliate, for resale, the Net Sales shall be calculated as set forth above on the value received on the first arm's length sale to a Third Party.

(iii) In the event of a sublicense of Licensed Product, the Sublicensee's Net Sales will be calculated as set forth herein.

For the avoidance of doubt, sales between Daiichi Sankyo, its Affiliates and Sublicensees shall not be considered Net Sales (unless such Person is the end user of the Licensed Product), which shall be calculated as Net Sales of Daiichi Sankyo, its Affiliates and Sublicensees independent of Third Party customers.

"**New Indication**" means an indication other than the Primary Indication.

"**New NKTR-102 Data**" means all data and other Information arising out of any Clinical Studies of the Licensed Product conducted after the Effective Date other than the BCBM Trial, that are conducted by or on behalf of Nektar or its Affiliates or licensees, excluding any Clinical Studies conducted by or on behalf of Daiichi Sankyo or its Affiliates or Sublicensees.

"**NKTR-102**" means [***].

"**Non-Compete Arbitrator**" has the meaning set forth in Section 2.5(b).

"**Other Territory**" means those countries in the Territory that are not subject to the jurisdiction of the EMA, which as of the Effective Date, are Switzerland and Turkey.

"**Package**" and "**Packaging**" means applying labeling as approved by the applicable Health Authorities to each vial of the Licensed Product Manufactured and supplied to Daiichi Sankyo by Nektar pursuant to the Supply Agreement and any further packaging materials (cartons, shippers, dividers, etc.) and labeling (including branding printed materials and text) that are specific to individual markets or market segments within the Territory that is required to Commercialize the Licensed Product in the Territory, including as required by Health Authorities.

"**Party**" means either Daiichi Sankyo or Nektar and "**Parties**" means both Daiichi Sankyo and Nektar.

"**Patents**" means (a) all national, regional and international patents and patent applications, including provisional patent applications, (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations-in-part, provisionals, converted provisionals, and continued prosecution applications, (c) any and all patents that have issued or in the future issue from the foregoing patent applications ((a) and (b)), including utility models, petty patents and design patents and certificates of invention, (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((a), (b) and (c)), and (e) any similar rights, including so-called pipeline protection, or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any such foregoing patent applications and patents.

"**Payments**" has the meaning set forth in Section 7.4(e).

"**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

"**Pharmacovigilance Agreement**" has the meaning set forth in Section 6.7.

"**Phase 1 Clinical Study**" means a clinical study that generally provides for the first introduction into humans of a pharmaceutical product with the primary purpose of determining safety, metabolism and pharmacokinetic properties and clinical pharmacology of such product, in a manner that is generally consistent with 21 CFR § 312.21(a), as amended (or its successor regulation).

"**Phase 2 Clinical Study**" means a clinical study, the principal purpose of which is to make a preliminary determination as to whether a pharmaceutical product is safe for its intended use and to obtain sufficient information about such product's efficacy, in a manner that is generally consistent with 21 CFR § 312.21(b), as amended (or its successor regulation), to permit the design of further Clinical Studies.

"**Phase 3 Clinical Study**" means a pivotal clinical study with a defined dose or a set of defined doses of a pharmaceutical product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with 21 CFR § 312.21(c), as amended (or its successor regulation), for the purpose of enabling the preparation and submission of an MAA.

"**Pricing Approvals**" means, in any country where a Government Authority, as a required condition precedent to the launch of Licensed Product or in order to continue the marketing or sale of the Licensed Product following launch under provisional pricing or reimbursement, authorizes reimbursement for, or approves or determines pricing for, pharmaceutical products or medical devices, receipt (or, if required to make such authorization, approval or determination effective, publication) of such reimbursement authorization or pricing approval or determination (as the case may be).

"**Primary Indication**" means BCBM.

"**Prosecute**" has the meaning set forth in Section 13.1.

"**Publishing Party**" means the Party permitted to make a publication or public presentation under Section 10.7(a).

"**Quality Agreement**" has the meaning set forth in Section 6.7.

"**Receiving Party**" has the meaning set forth in Section 10.1.

"**Regulatory Documentation**" means all applications, registrations, licenses, authorizations and approvals, all correspondence submitted to or received from Health Authorities within the Territory (including minutes and official contact reports relating to any communications with any Health Authority) and all supporting documents, relating to the Licensed Product, and all data contained in any of the foregoing, including all CTAs, Health Registration Approvals and applications therefor, regulatory drug lists, advertising and promotion documents, adverse event files and complaint files.

"**Representatives**" has the meaning set forth in Section 11.3(c)(i).

"**Research**" means activities related to the design, discovery, generation, identification, profiling, characterization, production, process development, or cell line development of drug candidates and products, and shall include but not be limited to any activity involving or related to the alteration of the molecular structure of NKTR-102.

"**Safety-Related Information**" means information resulting from Daiichi Sankyo Development activities or contained in New Nektar Data that has potential relevance to the safety of the Licensed Product.

"**Sensitive Information**" has the meaning set forth in Section 18.5(b).

"**Sole Invention**" has the meaning set forth in Section 9.2.

"**Sublicensee**" has the meaning set forth in Section 2.3.

"**Supply Agreement**" has the meaning set forth in Section 8.1.

"**Swiss MA**" means the Health Registration Approval issued by the applicable Health Authority for the Licensed Product for the Primary Indication in Switzerland.

"**Term**" has the meaning set forth in Section 16.1.

"**Termination Notice**" has the meaning set forth in Section 16.2(a).

"**Territory**" means the European Economic Area as it may be constituted from time to time, Switzerland and Turkey.

"**Third Party**" means any Person not including the Parties or the Parties' respective Affiliates.

"**Third Party Claim**" has the meaning set forth in Section 12.1.

"**Third Party Infringing Activities**" has the meaning set forth in Section 14.1.

"**Trademark**" means all trademarks, service marks, registrations, and applications therefor.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions.

"**Valid Claim**" means, with respect to a Licensed Product in a particular country, any claim of a Licensed Patent that:

(a) with respect to a granted and unexpired Licensed Patent in such country, (i) has not been held permanently revoked, unenforceable or invalid by a final decision of a court or other governmental agency of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal, and (ii) has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise; or

(b) with respect to a pending Licensed Patent application, was filed and is being prosecuted in good faith and has not been abandoned or finally disallowed without the possibility of appeal or re-filing of the application, provided that with respect to (i) pending Licensed Patent applications (a) and (b) identified on Exhibit A, such claim has not been pending for more than [***] years from the Effective Date, and (ii) any other pending Licensed Patent applications, such claim has not been pending for more than [***] years.

1.2 Interpretation. Except where the context requires otherwise, whenever used the singular includes the plural, the plural includes the singular and the use of any gender is applicable to all genders. Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The headings of this Agreement are for

convenience of reference only and do not define, describe, extend or limit the scope or intent of this Agreement or the scope or intent of any provision contained in this Agreement. The term "including" or "includes" as used in this Agreement means "including without limitation" and shall not be interpreted to limit the generality of any description preceding such term. The wording of this Agreement shall be deemed to be the wording mutually chosen by the Parties and no rule of strict construction shall be applied against any Party.

2. Grant of Rights.

2.1 License Grants to Daiichi Sankyo.

(a) Licensed Patents, Licensed Know-How and Regulatory Documentation. Subject to the terms and conditions of this Agreement, during the Term, Nektar hereby grants to Daiichi Sankyo a sublicensable (subject to Section 2.3), non-transferable (subject to Section 18.6), exclusive (even as to Nektar) license under the Licensed Patents, the Licensed Know-How and the Regulatory Documentation solely to Commercialize the Licensed Product in the Territory for any and all indications. Subject to the terms and conditions of this Agreement, during the Term, Nektar hereby grants to Daiichi Sankyo a sublicensable (subject to Section 2.3), non-transferable (subject to Section 18.6), co-exclusive license under the Licensed Patents, the Licensed Know-How and the Regulatory Documentation solely to Develop and Package the Licensed Product in the Territory for any and all indications.

(b) Nektar Marks. Subject to the terms and conditions of this Agreement, during the Term, Nektar hereby grants to Daiichi Sankyo a sublicensable (subject to Section 2.3), non-transferable (subject to Section 18.6), exclusive (even as to Nektar) license under the Nektar Marks solely to Package and Commercialize the Licensed Product in the Territory.

(c) Nektar House Marks. Subject to the terms and conditions of this Agreement, during the Term, Nektar hereby grants to Daiichi Sankyo a sublicensable (subject to Section 2.3), non-transferable (subject to Section 18.6), non-exclusive, royalty-free license under the Nektar House Marks solely to Package and Commercialize the Licensed Product in the Territory.

2.2 Retained Rights. For the avoidance of doubt, notwithstanding the provisions of Section 1.2 or any other provision of this Agreement, Nektar shall retain rights under the Licensed Patents, Licensed Know-How, Regulatory Documentation, Nektar Marks and Nektar House Marks to (a) perform its responsibilities under this Agreement or any Ancillary Agreement; and (b) Develop and Manufacture the Licensed Product in the Territory for purposes of the Development of the Licensed Product worldwide and Commercialization of the Licensed Product outside the Territory.

2.3 Sublicenses. Daiichi Sankyo shall have the right to grant sublicenses solely in furtherance of existing Daiichi Sankyo's rights under this Agreement to (i) its Affiliates (ii) distributors selected by Daiichi Sankyo, and (iii) contract sales agents and organizations acting on behalf of Daiichi Sankyo, in each case of the foregoing (i) through (iii) (inclusive), at Daiichi Sankyo's sole discretion and without obtaining the prior written consent of or providing prior

notice to Nektar. In addition, Daiichi Sankyo shall have the right to grant sublicenses to other Third Parties solely in furtherance of exercising Daiichi Sankyo's rights under this Agreement after obtaining Nektar's prior written consent, not to be unreasonably withheld. Each such sublicensee, whether an Affiliate or a Third Party, shall be a "**Sublicensee**" hereunder. Any such Sublicensee shall be obligated in writing, as a condition to the grant of such sublicense, (a) to be bound by provisions with respect to non-disclosure and non-use which are at least as restrictive as those provisions that are set forth in this Agreement and (b) to comply with all applicable terms and conditions of this Agreement. Daiichi Sankyo shall be responsible for any failure of any such Sublicensee to comply with such terms or conditions, with the further understanding that any action or omission by any such Sublicensee that, if committed by Daiichi Sankyo would be a breach of this Agreement, will be deemed a breach by Daiichi Sankyo of this Agreement for which Daiichi Sankyo is responsible.

2.4 License Limitations. Nothing in this Agreement will grant (or be construed to grant) to Daiichi Sankyo any right to make, have made, use, offer for sale, sell, import or otherwise exploit any products other than the Licensed Product for the Agreed Indication in the Territory in accordance with the terms and conditions of this Agreement. Daiichi Sankyo shall not, and shall cause its Affiliates and Sublicensees not to, use or practice any Licensed Know-How, Regulatory Documentation, Licensed Patents, Nektar Marks or Nektar House Marks in any manner whatsoever except to the extent expressly licensed or permitted under this Agreement.

2.5 Non-compete. During [***], Daiichi Sankyo shall not, and shall cause its Affiliates not to, Commercialize a Competing Product in [***]. Daiichi Sankyo shall not be deemed to have breached Section 2.5, and shall have no obligation to provide compensation to Nektar hereunder, if Daiichi Sankyo acquires a Person that is Commercializing a Competing Product in [***] at the time of the acquisition, and within [***] of the acquisition, ceases its Commercialization of the Competing Product in [***]. In the event that Nektar believes Daiichi Sankyo has breached Section 2.5, Nektar shall promptly notify Daiichi Sankyo, including in the notice a summary of the material facts underlying the Nektar belief. Daiichi Sankyo shall have [***] to respond to the notice from Nektar.

(a) If Daiichi Sankyo agrees that it has breached Section 2.5, then it shall promptly cease all activities that constitute the breach and provide Nektar with written confirmation that it has done so. The Parties shall designate representatives to determine the amount of compensation due to Nektar for the breach of Section 2.5 by Daiichi Sankyo. If the Parties agree on the amount of compensation due to Nektar, then Daiichi Sankyo shall pay such amount to Nektar within [***] of receipt by Daiichi Sankyo of an invoice from Nektar for such amount. In the event that the Parties are unable to agree on the amount of compensation due to Nektar within [***] following the initiation of their discussions, then the amount shall be determined as outlined in Section 2.5(c) below.

(b) If Daiichi Sankyo disagrees that it has breached Section 2.5, then the dispute shall be independently determined by a third party expert with significant experience and expertise in the oncology market in [***] (the "**Non-Compete Arbitrator**"), with the selection of such Non-Compete Arbitrator to be mutually agreed by the Parties in good faith and the costs of such arbitration to be [***]. Each of the Parties shall submit its position on the breach

outlined in the Nektar notice to the Non-Compete Arbitrator within [***] after the Non-Compete Arbitrator is appointed, and the Non-Compete Arbitrator shall issue a determination as to whether Daiichi Sankyo has breached Section 2.5 within [***] of the last submission of the Parties. The decision of the Non-Compete Arbitrator shall be binding on both Parties, and shall be final, unappealable and subject to enforcement by any court of competent jurisdiction.

(c) In the event that the Non-Compete Arbitrator decides in Nektar's favor, then Daiichi Sankyo shall promptly cease all activities that constitute the breach and provide Nektar with written confirmation that it has done so, and the Parties shall designate representatives to determine the amount of compensation due to Nektar for the breach of Section 2.5 by Daiichi Sankyo. In the event that the Parties are unable to agree on the amount of compensation due to Nektar within [***] following the decision of the Non-Compete Arbitrator on the question of breach, then the amount of compensation due to Nektar shall also be independently determined by the Non-Compete Arbitrator. By a date set by the Non-Compete Arbitrator, each of the Parties shall submit its estimate of the compensation due to Nektar, and the Non-Compete Arbitrator shall issue a determination within [***] of the last submission of the Parties selecting the estimate submitted by the Party which is closest to the Non-Compete Arbitrator's independent estimate of the compensation due to Nektar. The Party's estimate selected by the Non-Compete Arbitrator shall be binding on both Parties for the determination of the amount to be paid by Daiichi Sankyo to Nektar in compensation for the breach of Section 2.5 by Daiichi Sankyo, shall be paid by Daiichi Sankyo within [***] of receipt by Daiichi Sankyo of an invoice from Nektar for such amount, and shall be final, unappealable and subject to enforcement by any court of competent jurisdiction.

(d) The rights set forth in Section 2.5(a), Section 2.5(b) and Section 2.5(c) shall be Nektar's sole and exclusive remedy for a breach of Section 2.5. For clarity, (i) Nektar shall not have any right to seek a remedy (including to seek termination of this Agreement) under Section 16.2(a); and Section 19.9(b) shall not apply in respect of any breach of Section 2.5 or otherwise with respect to Section 2.5.

2.6 No Implied Licenses. Except as specifically set forth in this Agreement, neither Party shall acquire any license or other right or interest, by implication or otherwise, in any Intellectual Property Rights of the other Party or any of its Affiliates.

2.7 Territory/Outside the Territory.

(a) Ex-Territory Sales. To the extent permitted by Applicable Laws, Daiichi Sankyo will not, and will cause its Affiliates and Sublicensees not to, actively sell the Licensed Product outside the Territory. For greater certainty, Daiichi Sankyo shall not be in breach of this Agreement only by reason that an end-user purchases a Licensed Product in the Territory and uses it outside the Territory.

(b) Territory Sales. To the extent permitted by Applicable Laws, Nektar will not, and shall require its licensees Commercializing the Licensed Product outside the Territory not to, actively sell the Licensed Product in the Territory. For greater certainty, Nektar shall not

be in breach of this Agreement only by reason that an end-user purchases a Licensed Product outside the Territory and uses it in the Territory.

(c) Interpretation. For purposes of this Section 2.7, "actively sell" shall be interpreted in accordance with European Commission Regulation (EU) No 330/2010 and the Commission Notice entitled "Guidelines on Vertical Restraints," as the same may be amended from time to time.

3. Governance.

3.1 JSC Formation and Responsibilities. Within [***] following the Effective Date, the Parties will establish a joint steering committee (the "**JSC**"), to oversee, review, and coordinate the Development of the Licensed Product for the Territory and Manufacturing (and related supply chain matters) of the Licensed Product for the Territory. Specifically, the JSC shall:

(a) review and approve the Development activities to be conducted by the Parties hereunder, including (i) reviewing and approving any Clinical Study conducted in support of receiving the Conditional Marketing Authorization, Final Marketing Authorization, or any other Health Registration Approval for the Licensed Product in the Territory; and (ii) reviewing and approving any Development Plans;

(b) review and approve the regulatory activities to be conducted by the Parties hereunder and regulatory strategies with respect to the Development of the Licensed Product in the Territory, including (i) the preparation and submission of the Conditional MAA seeking Conditional Marketing Authorization and any supplements or renewals thereof, including whether to pursue the Narrow Labeled Indication or the Broad Labeled Indication; (ii) the preparation and submission of the MAA seeking Final Marketing Authorization, including whether to pursue the Narrow Labeled Indication or the Broad Labeled Indication; and (iii) the preparation and submission of any other MAA seeking Health Registration Approval for the Licensed Product in the Territory;

(c) serve as a forum for the Parties to exchange information with respect to the progress of the Development and Manufacturing of the Licensed Product in the Territory;

(d) serve as a forum for the Parties to exchange information provided under Article 5 with respect to the progress of the Commercialization of the Licensed Product in the Territory;

(e) make such other decisions as may be delegated to the JSC pursuant to this Agreement or by written agreement of the Parties; and

(f) establish other working groups to implement the foregoing responsibilities, which working groups shall have such responsibilities, and be comprised of such number of representatives from each of the Parties with such expertise and seniority, as the JSC may direct from time to time, supervising and directing the activities of such working groups and reviewing reports and recommendations from such working groups. Promptly following the

Effective Date, the JSC will establish working groups with responsibility for each of the following areas: Development (industry regulatory matters), publication, and Manufacturing (including supply chain and regulatory matters).

3.2 Membership. Each Party shall, within [***] after the Effective Date, designate [***] to serve as their initial members of the JSC, each with the requisite experience and seniority in the Development and Manufacture of pharmaceutical products in the Territory to make decisions on behalf of the Parties with respect to issues falling within the jurisdiction of the JSC. Each Party shall have the right at any time to substitute qualified individuals, on a permanent or temporary basis, for any of its previously designated representatives to the JSC, by giving written notice to the other Party. Each Party may invite non-voting representatives to attend JSC meetings; provided that such Party provides advance notice to the other Party of such attendance and such non-voting representatives are bound by confidentiality and non-use obligations no less restrictive than those set forth in this Agreement.

3.3 Meetings and Quorum. The JSC shall have the right to adopt such standing rules as shall be necessary for its work to the extent that such rules are not inconsistent with this Agreement. A quorum of the JSC shall exist whenever there is present at a meeting at least [***] appointed by each Party. The JSC shall take action by consensus of the representatives present at a meeting at which a quorum exists, with, subject to the final decision-making authority of the JSC as set forth in Section 3.4, each Party collectively having a single vote irrespective of the number of representatives of such Party in attendance or by a written resolution signed by at least [***] appointed by each Party.

(a) Timing and Attendance at Meetings. The JSC shall establish a schedule of times for regular meetings. The JSC shall meet at least [***] or as more or less often as otherwise agreed to by the Parties. In addition, either Party may call a meeting of the JSC upon reasonable notice to the other Party where such meeting is reasonably necessary to fulfill the JSC's responsibilities under this Agreement. The location of JSC meetings, when in person, shall alternate between the offices of Nektar and Daiichi Sankyo, unless otherwise agreed to by the Parties. Members of the JSC may attend a meeting either in person or by telephone, video conference or similar means in which each participant can hear what is said by, and be heard by, the other participants (with any written presentations by either Party provided by electronic means in advance of or simultaneously with such meeting to the participants of the other Party). Representation by proxy shall also be allowed.

(b) Chairs. The JSC shall have [***], with each Party electing [***]. [***] of the [***] shall have any greater authority than any other representative to the JSC.

(c) Minutes. The JSC shall keep minutes of its meetings that record in reasonable detail all decisions and all actions recommended or taken. Drafts of the minutes shall be prepared and circulated to JSC members promptly after the meeting, and the Parties' chairs shall alternate responsibility for the preparation and circulation of the draft minutes. The minutes shall be deemed approved upon the approval of such minutes by the co-chairs. Upon approval, final minutes shall be circulated to the members of the JSC by the co-chairs.

(d) Expenses. Each Party shall bear all costs of its representatives on the JSC related to their participation on the JSC and attendance at JSC meetings.

3.4 Decision-Making and Dispute Resolution. The members of the JSC shall use reasonable efforts to reach agreement on all matters. If, despite such efforts, agreement on a particular matter cannot be reached by the JSC within [***] after the JSC first considers such matter, the matter in dispute shall be referred to the Executives who shall confer within [***] after such matter was first referred to them to attempt to resolve the matter in dispute by good faith negotiations. If such dispute is not resolved by the Executives following good faith negotiations within [***] after the Executives first confer on such matter, then Nektar shall have the right to make the final decision with regard to all disputed matters falling within the decision-making authority of the JSC; it being understood that all matters related solely to the Commercialization of the Licensed Product in the Territory are outside the decision-making authority of the JSC. For the avoidance of doubt, JSC involvement in the preparation and submission of the MAA seeking Final Marketing Authorization, including whether to pursue the Narrow Labeled Indication or the Broad Labeled Indication, and any decisions made under this Section 3 in connection therewith shall be without prejudice to Daiichi Sankyo's rights under Sections 7.2(b) or 16.2(c).

3.5 Limitations on Authority. Each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers, or discretion shall be delegated to or vested in the JSC unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing. Notwithstanding the foregoing or anything else to the contrary, the JSC shall not have the power to (a) amend, modify or waive compliance with this Agreement or any Ancillary Agreement; (b) cause a Party to take on additional obligations, including financial obligations, over such Party's objections; (c) determine that either Party has fulfilled any obligation under this Agreement or that either Party has breached any obligation under this Agreement or make any other determination with respect to a Legal Matter; or (d) to expand the scope of its authority or determine any issue before the JSC in a manner that would conflict with the express terms of this Agreement.

4. Development.

4.1 BCBM Trial. Nektar shall, at its own expense, use Commercially Reasonable Efforts to conduct the BCBM Trial with the Licensed Product for the Primary Indication in accordance with the BCBM Trial Protocol in effect as of the Effective Date, and in a good scientific manner and in compliance with Applicable Law. Notwithstanding the foregoing, the JSC will have the right to modify the BCBM Trial Protocol from time to time as reasonably necessary based on, among other concerns, interactions with Health Authorities, feedback from sites participating in the BCBM Trial Protocol, as well as any study feasibility, safety, regulatory, and commercial considerations. Nektar shall keep Daiichi Sankyo reasonably and promptly apprised of its activities in respect of the BCBM Trial through Daiichi Sankyo's representatives on the JSC. Notwithstanding anything to the contrary in this Agreement, and excluding the BCBM Trial, Nektar shall not have any obligation to undertake or support any other Development of the Licensed Product in any field, for any use or in any jurisdiction.

4.2 Development by Daiichi Sankyo. If Daiichi Sankyo desires to conduct additional Development of the Licensed Product for the Primary Indication or any New Indication in the Territory, Daiichi Sankyo shall provide Nektar with written notice of such interest and a written plan with respect to the activities to be undertaken by Daiichi Sankyo in connection with such proposed Development activities (the "**Development Plan**"). No Clinical Study or any other Development activity in respect of a Licensed Product shall be conducted by or on behalf of Daiichi Sankyo without the prior written approval of Nektar, such approval not to be unreasonably withheld (which approval, for the avoidance of doubt, may not, except as provided under Section 4.5, be conditioned on the imposition of additional payments that would be due to Nektar). Daiichi Sankyo will, at its own expense, conduct any such Development in accordance with the applicable Development Plan in a good scientific manner and in compliance with Applicable Law. Notwithstanding anything to the contrary in this Agreement, Daiichi Sankyo shall not have any obligation to undertake or support any Development of the Licensed Product in any field, for any use or in any jurisdiction. At Nektar's option, Nektar and its licensees outside the Territory shall have the right to use Information generated by Daiichi Sankyo in the course of executing any Development Plan hereunder for any legal purpose provided there is a mutual agreement in writing of the Parties on appropriate cost sharing, such agreement to be entered into at the time the Nektar consent to the Development by Daiichi Sankyo is granted, or at any later time as mutually agreed by the Parties. If the Parties are not able to agree on such cost sharing, then other than with respect to Safety-Related Information, Nektar and its licensees outside the Territory shall have no right to use such Daiichi Sankyo Information. Nektar and its licensees outside the Territory may, at no cost and without making any payments to Daiichi Sankyo, use any and all Safety-Related Information generated by Daiichi Sankyo in submissions for Health Registration Approval and in other Regulatory Documentation and in filings with Health Authorities, in each case outside the Territory in connection with the Licensed Product.

4.3 Development Reporting. Each Party shall keep the other Party reasonably and [***] apprised of its planned as well as undertaken Development activities under Section 4.1 and 4.2 (as well as through Nektar's reservation of rights under Section 2.2 in respect of any New NKTR-102 Data and Development activities giving rise to such data) respectively, through its representatives on the JSC, and will provide such additional information, including copies of Regulatory Documentation, and reports as reasonably requested by a JSC member to enable the JSC to assess progress with respect to such Development activities. Each Party shall provide (a) an update to the JSC at each JSC meeting regarding all such Development efforts since the last meeting, and describing the results of such activities and progress of such Development, and strategy and plans for the Development efforts for the following year; and (b) an [***] written report (using a format specified by the JSC) on such Development activities, including a detailed summary of the applicable Development activities planned to be conducted in the next [***].

4.4 Records of Development Activities. Each Party shall maintain, and shall cause its Affiliates and sublicensees to maintain, complete and accurate records of all Development activities under this Agreement in such detail as typically recorded by such Party for its own similar products, and which shall be retained by such Party for at least [***] after the termination of this Agreement, or for such longer period as may be required by Applicable Law.

4.5 New NKTR-102 Data. Other than with respect to Safety-Related Information, Daiichi Sankyo shall have no rights to, and Nektar shall have no obligation to grant to Daiichi Sankyo, for use in a submission for Health Registration Approval, any New NKTR-102 Data generated from such Development without Nektar's prior written consent, which consent is expressly conditioned upon mutual agreement of the Parties on appropriate cost sharing and other business terms with respect to Clinical Studies or other Development activities giving rise to such New NKTR-102 Data. Daiichi Sankyo may, at no additional cost and without making any additional payments to Nektar, use any and all Safety-Related Information of Nektar in submissions for Health Registration Approval and in other Regulatory Documentation and in filings with Health Authorities, in each case in connection with the Licensed Product for the Approved Indications.

4.6 Post MA Approval Obligations Imposed by Health Authorities. Until the receipt of Final Marketing Authorization in the EMA Territory, subject to Nektar's right to terminate this Agreement pursuant to Section 16.2(g), Nektar shall be solely responsible for undertaking, at its cost and expense, all post-approval commitments and obligations imposed by the Health Authority in the EMA Territory with respect to the Licensed Product under the Conditional Marketing Authorization. If the Swiss Health Authority grants Conditional Marketing Authorization for the Licensed Product, then until the receipt of final marketing authorization in Switzerland, subject to Nektar's right to terminate this Agreement pursuant to Section 16.2(g), Nektar shall be solely responsible for undertaking, at its cost and expense, all post-approval commitments and obligations imposed by the Health Authority in Switzerland with respect to the Licensed Product under the Conditional Marketing Authorization. If the Turkish Health Authority grants Conditional Marketing Authorization for the Licensed Product, then until the receipt of final marketing authorization in Turkey, Daiichi Sankyo shall be solely responsible for undertaking, at its cost and expense, all post-approval commitments and obligations imposed by the Health Authority in Turkey with respect to the Licensed Product under the Conditional Marketing Authorization. From and after the receipt of each of the Final Marketing Authorization in a country in the Territory Daiichi Sankyo shall be solely responsible for undertaking, at its cost and expense, all post-approval commitments and obligations imposed by the applicable Health Authorities with respect to the Licensed Product in such country in the Territory.

5. Commercialization.

5.1 Allocation of Responsibilities. Subject to the terms and conditions of this Agreement or any Ancillary Agreement, Daiichi Sankyo shall have the sole right and responsibility, at its sole expense, to Commercialize the Licensed Product for the Primary Indication in the Territory.

5.2 Primary Indication. Within [***] of the Effective Date, Daiichi Sankyo shall deliver to Nektar an initial written plan setting forth a summary of the anticipated activities to be undertaken by Daiichi Sankyo in connection with the Commercialization of the Licensed Product (the "**Commercialization Plan**") for the Primary Indication in the Territory, excluding any information relating to pricing or reimbursement submissions (including Pricing Approvals). The Commercialization Plan shall include an outline of the Commercialization activities for the

Licensed Product for the Primary Indication in the Territory, including (a) [***], (b) [***], (c) [***], (d) [***] (e) [***]. Thereafter, and no later than [***], Daiichi Sankyo will update the Commercialization Plan on an [***] basis, including any changes required to take into account ongoing Development activities, including the BCBM Trial.

5.3 New Indications. Subject to the terms and conditions of this Agreement, including Article 4 or any Ancillary Agreement, Daiichi Sankyo shall have the sole right and responsibility, at its sole expense, to Commercialize the Licensed Product for any New Indication that has been approved for Development as an Agreed Indication for Commercialization in the Territory pursuant to the terms of this Agreement, and will provide Nektar with an updated Commercialization Plan reflecting the Commercialization activities within the Territory with respect to Commercialization of the Licensed Product for such New Indication.

5.4 Commercialization Diligence. Daiichi Sankyo shall use Commercially Reasonable Efforts, at its own cost and expense, to promote, market, sell and otherwise Commercialize the Licensed Product in such countries in the Territory where the relevant factors to such Commercially Reasonable Efforts sufficiently support doing so.

5.5 Commercialization Reporting. Commencing as of the [***] and continuing thereafter during the Term, Daiichi Sankyo shall provide Nektar with (a) an update at each [***] JSC meeting with respect to Daiichi Sankyo's Commercialization-related activities related to the Licensed Product in the Territory; and (b) an [***] summary written report on the Commercialization activities undertaken by Daiichi Sankyo with respect to the Licensed Product in the Territory [***].

6. Regulatory Matters.

6.1 Nektar Responsibilities for MAAs and MAs.

(a) EMA Territory. Subject to the other provisions of this Article 6, including Section 6.2, Nektar shall have the sole right and responsibility, at its sole expense, to prepare and submit the applications for Conditional Marketing Authorization and Final Marketing Authorization, and make all other related submissions with the applicable Health Authority for the Licensed Product in the EMA Territory, as well as to conduct all correspondence and communications with such Health Authority regarding such matters. Nektar will use Commercially Reasonable Efforts to prepare and submit in a timely manner, (i) the Conditional MA seeking Conditional Marketing Authorization for the Licensed Product in the EMA Territory, including all annual renewals thereto, until [***]; and (ii) if applicable, [***]. Nektar shall keep Daiichi Sankyo reasonably informed of the submissions for Conditional Marketing Authorization in the EMA Territory and Final Marketing Authorization, including any major supplements or amendments thereto and the progress of such submissions. Nektar hereby designates Daiichi Sankyo to be its "local representative" in each jurisdiction in the Territory for purposes, amongst others, of seeking to obtain, and to hold and maintain Pricing Approvals for the Licensed Product. Nektar shall reasonably cooperate with Daiichi Sankyo in connection therewith, including executing such documents as may be necessary to confirm its status as such

local representative. Daiichi Sankyo shall submit all necessary applications and documentation to seek to obtain, hold and maintain Pricing Approvals, and shall do so in the manner determined by Daiichi Sankyo.

(b) Switzerland. Subject to the other provisions of this Article 6, including Section 6.2, Nektar shall have the sole right and responsibility, at its sole expense, to prepare and submit the applications for the Swiss MA, and make all other related submissions with Health Authorities, for the Swiss MA as well as to conduct all correspondence and communications with Health Authorities regarding all such matters. Nektar will use Commercially Reasonable Efforts to prepare and submit in [***], such MAAs with the applicable Health Authority seeking the Swiss MA, including, if applicable, the MAA seeking Conditional Marketing Authorization; provided however, that Nektar will only be required to submit an MAA based on the data generated from the BCBM Trial and the information supplied to the EMA in connection with the Conditional Marketing Authorization or Final Marketing Authorization in the EMA Territory and Nektar shall not be obligated to conduct any Clinical Studies or other Development activities in support of any such MAA. Nektar shall keep Daiichi Sankyo reasonably informed of the submissions of such MAAs for the Swiss MA, including any major supplements or amendments thereto and the progress of such submissions.

(c) [***].

(d) Transfer of Marketing Authorizations. [***] of each of the Final Marketing Authorization and the Swiss MA, subject to the terms and conditions of this Agreement, Nektar shall transfer and assign to Daiichi Sankyo any and all right, title, and interest in and to such Final Marketing Authorization and the Swiss MA, and Nektar will [***] submit to the applicable Health Authorities a letter (with a copy to Daiichi Sankyo) or other communication required by the applicable Health Authorities, notifying such Health Authorities of each such transfer.

6.2 Daiichi Sankyo Responsibilities for MAAs and MAs.

(a) EMA Territory and Switzerland. Except as provided in Section 6.1 above and subject to the other provisions of this Article 6, Daiichi Sankyo shall have the sole right and responsibility, at its sole discretion and expense, to (i) prepare and submit the applications for any Health Registration Approval, and make all other related submissions with Health Authorities for the Licensed Product in the EMA Territory and Switzerland in connection with any additional Development activities undertaken pursuant to Article 4 [***], and (ii) maintain and renew all Health Registration Approvals for the Licensed Product for the Agreed Indications in the EMA Territory and Switzerland, including the Final Marketing Authorization and Swiss MA, as well as in the case of each of (i) and (ii) to conduct all correspondence and communications with Health Authorities regarding such matters. Daiichi Sankyo shall use Commercially Reasonable Efforts to conduct its activities hereunder, and shall keep Nektar reasonably informed of any submissions hereunder, including any supplements or amendments thereto and the progress of all such submissions. Without limiting the foregoing, in no event will Daiichi Sankyo allow any Health Registration Approval related to the Licensed Product in the

EMA Territory or Switzerland to lapse, expire or otherwise terminate without Nektar's prior written consent.

(b) Turkey. Subject to the other provisions of this Article 6, Daiichi Sankyo shall have the sole right, at its sole discretion and expense, to (i) prepare and submit the applications for Health Registration Approval, including any such submissions with Health Authorities for the Licensed Product in Turkey in connection with the Primary Indication or any additional Development activities undertaken pursuant to Article 4, and (ii) maintain and renew all Health Registration Approvals for the Licensed Product for the Agreed Indications in Turkey, as well as in the case of each of (i) and (ii) to conduct all correspondence and communications with Health Authorities regarding all such matters. Daiichi Sankyo will use Commercially Reasonable Efforts to prepare and submit in a timely manner such MAAs with the applicable Health Authority seeking Health Registration Approval for the Licensed Product for the Primary Indication in Turkey; provided however, that neither Nektar nor Daiichi Sankyo shall be obligated to conduct any Clinical Studies or other Development activities in support of any such MAA in Turkey. Upon Daiichi Sankyo's request, Nektar agrees to provide reasonable assistance to Daiichi Sankyo to obtain any required Health Registration Approvals for the Licensed Product for the Agreed Indications in Turkey. Daiichi Sankyo shall keep Nektar reasonably informed of any submissions hereunder, including any supplements or amendments thereto and the progress of all such submissions. Without limiting the foregoing, in no event will Daiichi Sankyo allow any Marketing Authorization related to the Licensed Product in Turkey to lapse, expire or otherwise terminate without Nektar's prior written consent.

(c) Pricing Approvals. Subject to the terms and conditions of this Agreement, Daiichi Sankyo shall have the sole right, at its sole expense, to, and shall [***] prepare and submit all necessary applications and documentation to seek to obtain, hold and maintain Pricing Approvals for the Licensed Product for the Agreed Indications in the Territory, as well as to conduct all correspondence and communications with Government Authorities regarding all such matters. Nektar shall reasonably cooperate with Daiichi Sankyo in connection therewith, including executing such documents as may be necessary to confirm Daiichi Sankyo's rights to prepare, submit, and obtain such Pricing Approvals for the Licensed Product for such Agreed Indications in the Territory.

6.3 Right of Reference. Daiichi Sankyo hereby grants Nektar and its Affiliates and sublicensees the right and license to access, cross-reference, file or incorporate by reference, any MA held by or on behalf of Daiichi Sankyo or its Affiliates or Sublicensees with respect to the Licensed Product in the Territory, including all data and other information included or referenced therein, to support submission to Health Authorities and other regulatory authorities outside the Territory. Upon request, Daiichi Sankyo shall issue a letter of authorization or other documentation to allow Nektar to effectuate such right of access to such MAs.

6.4 Opportunity to Comment on Regulatory Submissions. Without limiting the foregoing, each Party shall, in connection with its obligations under this Article 6, provide the other Party with a reasonable opportunity to review and comment prior to submission upon (a) any regulatory communications with any Health Authority with respect to the Licensed Product in the Territory or with respect to Manufacturing globally (other than any such communications

that are purely ministerial in nature), and (b) all regulatory filings and submissions, including Health Registration Approvals, but excluding Pricing Approvals, for a Licensed Product that are made to any Health Authority in the Territory. Notwithstanding the foregoing: (i) Nektar shall be entitled to make the final determination with respect to the content of any communications, filings, submissions and/or applications (A) related to Manufacturing, and (B) related to the Final Marketing Authorization and the Swiss MA prior to the transfer date of the Final Marketing Authorization and the Swiss MA, respectively, following good faith consideration of any comments and suggestions that Daiichi Sankyo may have; and (ii) Daiichi Sankyo shall be entitled to make the final determination with respect to the content of any such communications, filings, submissions and/or applications for which Daiichi Sankyo is responsible for making under Section 6.2, following good faith consideration of any comments and suggestions that Nektar may have. For the avoidance of doubt, Nektar shall not have a role in determining how Daiichi Sankyo will go about seeking, holding or maintaining the Pricing Approvals for the Licensed Product for the Agreed Indications in the Territory.

6.5 Written Communications with Health Authorities. Each Party shall promptly provide the other Party with copies of all material written or electronic communications received by it, its Affiliates or sublicensees from any Health Authorities within the Territory with respect to the Manufacture, Development or Commercialization of the Licensed Product in the Territory under this Agreement. Such material communications shall be provided by a Party [***] but in any event within [***] of such receipt; provided that [***] as used in the foregoing, shall in addition to the days specified in the definition of [***] in Section 1.1, also provide for any additional days to take into account any applicable days on which national banks in the country in which the applicable Health Authority is located are generally permitted or required to be closed.

6.6 Meetings with Health Authorities. To the extent practicable, Nektar or Daiichi Sankyo, as the case may be, shall [***] provide the other Party with prior written or email notice of all meetings, conferences and discussions that are scheduled with any Health Authorities within the Territory regarding its activities with respect to the Licensed Product in the Territory under this Agreement within [***] after such Party or its Affiliate first receives notice of the scheduling of such meeting, conference or discussion (or within such shorter period as may be practicable and necessary in order to give the other Party a reasonable opportunity to attend such meeting, conference or discussion); provided that [***] as used in the foregoing, shall in addition to the days specified in the definition of [***] in Section 1.1, also provide for any additional days to take into account any applicable days on which national banks in the country in which the applicable Health Authority is located are generally permitted or required to be closed. Each Party shall be entitled to have [***] of its representatives present at such meeting, conference or discussion, with the opportunity to participate (provided that a Party shall be entitled to have [***] of its representatives present if the applicable Health Authority limits the number of participants in a meeting). Each Party shall in good faith take into account the schedules of the representatives of the other Party in scheduling any such meetings, conferences or discussions. Nektar or Daiichi Sankyo, as the case may be, shall [***] forward to the other Party copies of all meeting minutes and summaries of all such meetings, conferences and discussions with such Health Authority.

6.7 Pharmacovigilance and Quality Agreements. Within [***] following the Effective Date, the Parties shall negotiate in good faith and enter into a pharmacovigilance agreement and a quality agreement, as provided below.

(a) The pharmacovigilance agreement ("**Pharmacovigilance Agreement**") shall be entered into on reasonable and customary terms and conditions with respect to the use of the Licensed Product in the Territory, and shall govern the Parties' respective responsibilities with respect to reporting to the applicable Health Authorities any Adverse Events, complaints and other safety-related matters, with (i) Nektar responsible for such activities at its own cost outside the Territory at all times and in the Territory, until the receipt of the Conditional Marketing Authorization in the EMA Territory; and (ii) Daiichi Sankyo responsible for such activities at its own cost in the Territory, [***]. The foregoing allocation of responsibilities is subject to the following: (A) [***], Daiichi Sankyo shall be responsible for investigating, creating records relating to, compiling safety-related reports (including Adverse Events), and preparing and transmitting to Nektar submissions intended for the Health Authority; (B) Nektar, as the holder of the Conditional Marketing Authorization, shall be responsible for submitting to the Health Authority safety-related reports and other submissions prepared by Daiichi Sankyo on Nektar's behalf; (C) [***] Daiichi Sankyo, as the holder of the Final Marketing Authorization, shall be responsible for submitting safety-related reports and other submissions to the Health Authority; and (D) if the Swiss Health Authority grants conditional marketing authorization to Nektar for the Licensed Product, then (A) and (B) shall also be applicable for Switzerland while [***], and (C) shall be applicable to Switzerland [***].

(b) The quality agreement ("**Quality Agreement**") shall be entered into on reasonable and customary terms and conditions with respect to the Licensed Product supplied to Daiichi Sankyo. The Quality Agreement will be based on Nektar's existing quality agreement with Nektar's drug product contract manufacturer for the Licensed Product.

7. Payments and Consideration.

7.1 Initial License Fee. In partial consideration of the licenses and other rights granted by Nektar to Daiichi Sankyo under this Agreement, Daiichi Sankyo shall pay Nektar, within [***] following the Effective Date, a payment of Twenty Million U.S. Dollars ($20,000,000). Such payment shall be non-creditable, non-refundable (except as provided in Section 16.2(f)), and not subject to set-off.

7.2 Milestone Payments.

(a) Milestone Payment Amount. In partial consideration of the licenses and other rights granted by Nektar to Daiichi Sankyo under this Agreement, and subject to Section (b) below, Daiichi Sankyo shall pay Nektar upon the first achievement of the applicable milestone event described in the table below; provided however, [***]. Each of the milestone payments hereunder is non-creditable, non-refundable and not subject to set-off.

	Milestone Event	Milestone Payment
1.	First Commercial Sale of the Licensed Product in the Territory following receipt of Conditional Marketing Authorization in the EMA Territory	$10,000,000
2.	First Commercial Sale of the Licensed Product in the Territory following receipt of Final Marketing Authorization	$25,000,000
3.	First time the aggregate Net Sales for the Licensed Product in the Territory equal or exceed Sixty Million Euros (€60,000,000) at any point during a given Calendar Year	$25,000,000

(b) Reduction to Milestone Payment Number Two (2).

(i) In the event that the Actual Labeled Indication is narrower than the Narrow Labeled Indication, within [***] following the date of Nektar's receipt of the Final Marketing Authorization, representatives appointed by each of the Parties shall meet and determine the Actual Labeled Indication Population and the Narrow Labeled Indication Population. In their determination of the number of patients in each such population, the Parties shall make each determination as of the date set forth in the definition of the population (i.e., the Actual Labeled Indication Population shall each be determined [***], and the Narrow Labeled Indication Population shall be determined [***].

(ii) In the event that the Parties mutually determine that the Actual Labeled Indication Population is lower than the Narrow Labeled Indication Population, then the amount of the milestone payment corresponding to milestone number two (2) above shall be multiplied by a fraction, the numerator of which shall be the Actual Labeled Indication Population and the denominator of which shall be the Narrow Labeled Indication Population. In the event that the Parties are unable to agree on either of the Actual Labeled Indication Population or the Narrow Labeled Indication Population within [***] following the date of Nektar's receipt of the Final Marketing Authorization, the population(s) on which the Parties are unable to agree shall be independently determined by a third party expert with significant experience and expertise in the oncology market in the Territory (the "**Arbitrator**"), with the selection of such Arbitrator to be mutually agreed by the Parties in good faith and [***]. Each of the Parties shall submit its estimate of the contested population(s) to the Arbitrator together with

a written statement of the rationale for the estimate within [***] after the Arbitrator is appointed, and the Arbitrator shall issue a determination [***] of the last submission of the Parties selecting the estimate submitted by the Party which is closest to the Arbitrator's independent estimate of the contested population(s). The Party's estimate selected by the Arbitrator shall be binding on both Parties for the determination of the amount to be paid for milestone number two (2), and shall be final, unappealable and subject to enforcement by any court of competent jurisdiction.

7.3 Royalties.

(a) Royalty. In partial consideration of the licenses and other rights granted by Nektar to Daiichi Sankyo under this Agreement, and in addition to the foregoing payments, Daiichi Sankyo shall pay Nektar a royalty at the rate described in the table below on Annual Net Sales of the Licensed Product in the Territory by Daiichi Sankyo, its Affiliates and Sublicensees. All royalty payments under this Agreement are non-creditable, non-refundable and, except as provided in Section 7.4(f), not subject to set-off. For the avoidance of doubt, royalties with respect to sales of Licensed Product shall be payable by Daiichi Sankyo to Nektar irrespective of whether such Licensed Product is for the Primary Indication or any other New Indication.

Applicable Territory	Royalty Rate on Annual Net Sales
EMA and Switzerland	20%
Turkey	15%

(b) Royalty Term. Daiichi Sankyo's obligation to pay royalties shall commence, on a country-by-country basis, on the date of First Commercial Sale of the Licensed Product in such country in the Territory, and shall expire, on a country-by-country basis, on the latest to occur of (i) the [***] anniversary of the First Commercial Sale of such Licensed Product in such country, or (ii) the expiration date in such country of the last to expire of any Licensed Patent that includes at least one Valid Claim Covering such Licensed Product, including the Manufacture, use or sale thereof in such country.

(c) Reduction of Royalty. In the event that, at the time a Licensed Product is sold in a country in the Territory, there is no Valid Claim Covering such Licensed Product, including the Manufacture, use or sale thereof in such country, then for the purposes of calculating the royalties owed based on the sale of such Licensed Product under Section (a) at that time, the royalties that would otherwise be due and payable based on such sale shall be [***]; provided however, that if a Generic Product is being Commercialized in such country, then the royalties shall be [***].

(d) License Grants and Third Party Obligations. In the event Daiichi Sankyo reasonably determines that Intellectual Property Rights owned or Controlled by a Third Party are required for Daiichi Sankyo to Commercialize a Licensed Product in the Territory for which Daiichi Sankyo has exercised its Development rights under Article 4, in each case in order not to infringe or misappropriate such Intellectual Property Rights, Daiichi Sankyo shall have the right, but not the obligation, to negotiate for and acquire such rights through a license or otherwise, but shall have no right to deduct from royalty payments due under this Section 7.3 or milestone

payments due under Section 7.2, any of the amounts paid (including milestone payments, royalties or other license fees) by Daiichi Sankyo to such Third Party. Upon Daiichi Sankyo's request, Nektar agrees to cooperate with Daiichi Sankyo to acquire such rights.

7.4 Payment Terms.

(a) Manner of Payment. All payments due hereunder shall be remitted in United States Dollars by wire transfer to the Nektar Account.

(b) Milestone Payments. With respect to each of milestone numbers one (1), two (2) and three (3), Daiichi Sankyo shall [***], and in all events no later than [***] after such milestone is achieved, provide Nektar with written notice of the achievement of such milestone. Nektar shall then submit an invoice to Daiichi Sankyo with respect to the corresponding milestone, provided that no such invoice shall be submitted prior to the Effective Date. Daiichi Sankyo shall make the corresponding milestone payment within [***] after receipt of the invoice from Nektar.

For the avoidance of doubt, (x) each milestone payment shall be payable only on the first occurrence of the applicable milestone event; and (y) none of the milestone payments shall be payable more than once, regardless of with respect to which Agreed Indication such milestone event is achieved.

(c) Royalty Payments. The royalties shall be calculated [***] as of the last day of [***] respectively, for the [***] ending on that date. Daiichi Sankyo shall deliver a written report to Nektar within [***] after the end of each [***] that shows, with respect to each country in the Territory, the total sales volumes (total vials) and Net Sales (including calculation of the Net Sales in reasonable detail as outlined in the definition of "**Net Sales**" in Section 1.1) of the Licensed Product during such [***]. Following delivery of the written report, Nektar shall invoice Daiichi Sankyo for the royalties due, and Daiichi Sankyo shall make the corresponding royalty payment within [***] following receipt of the invoice.

(d) Currency Exchange. For the purpose of computing the Net Sales of a Licensed Product sold in a currency other than U.S. Dollars or, solely with respect to determining achievement of milestone number three (3), Euros, such currency shall be converted from local currency to U.S. Dollars or Euros, as applicable, by Daiichi Sankyo in accordance with the rates of exchange for the relevant month for converting such other currency into U.S. Dollars or Euros as is quoted by the Bundesbank on the last day of the month for which such conversion is to be computed or other foreign conversion rate source to be mutually agreed upon by the Parties.

(e) Taxes. The payments made by one Party to the other Party under this Agreement (including in the case of payments made to Nektar, the royalties and milestone payments hereunder) or the Supply Agreement ("**Payments**") shall not be reduced on account of any taxes unless required by Applicable Law. The Parties agree to cooperate and produce on a timely basis any tax forms or reports reasonably requested by the other Party in connection with any Payment. Each Party further agrees to provide reasonable cooperation to the other Party, at

the other Party's expense, in connection with any official or unofficial tax audit or contest relating to any Payment. In addition, in the event any of the Payments made by a Party to the other Party in connection with this Agreement or the Supply Agreement become subject to withholding taxes under the Applicable Laws of any jurisdiction, the paying Party shall deduct and withhold the amount of such taxes for the account of the receiving Party to the extent required by Applicable Law, such Payment to receiving Party shall be reduced by the amount of taxes deducted and withheld, and the paying Party shall pay the amount of such taxes to the proper Government Authority in a timely manner and promptly transmit to the receiving Party an official tax certificate or other evidence of such tax obligations, together with proof of payment from the relevant Government Authority of all amounts deducted and withheld sufficient to enable the receiving Party to claim such payment of taxes. Each Party shall provide the other Party with reasonable assistance to enable them to reduce or recover such taxes as permitted by Applicable Law.

(f) Set-off Rights. In the event that Nektar, after receipt of written notice from Daiichi Sankyo, fails to perform any of its indemnity obligations under Section 12.2 of this Agreement and as a result of Nektar's failure to perform Daiichi Sankyo is required to incur out-of-pocket costs in order to obtain the benefits it is entitled to under this Agreement, then if and to the extent Nektar fails to pay, reimburse, or credit Daiichi Sankyo for such out-of-pocket costs within [***] of a receipt of an invoice from Daiichi Sankyo, Daiichi Sankyo may, at its election, with notice to Nektar of its election but without demand, charge and set off such costs against amounts otherwise due from Daiichi Sankyo pursuant to Section 7.3, and Nektar hereby authorizes all such charges and set offs. If requested by Nektar in writing, prior to taking any such charge or set off, Daiichi Sankyo agrees to designate at least [***] to meet with a representative designated by Nektar at a mutually agreed time and place to attempt to resolve the amount and payment of Daiichi Sankyo's out-of-pocket costs without the need for such charge or set off.

(g) Interest. If Nektar does not receive payment of any sum due to it hereunder on or before the due date therefor, interest shall thereafter accrue at the rate of [***].

7.5 Records Retention; Audit.

(a) For [***] following each [***] in which a Licensed Product is sold or a payment obligation of Daiichi Sankyo under this Agreement accrues, Daiichi Sankyo shall keep, or cause its Affiliates and Sublicensees to keep, complete and accurate records or books of account in accordance with IFRS, to confirm Daiichi Sankyo's compliance with its financial obligations under this Agreement, including the correctness of any payment made or required to be made by or on behalf of Daiichi Sankyo, as applicable, and any report underlying such payment (or lack thereof), pursuant to the terms of this Agreement.

(b) Upon the written request of Nektar, Daiichi Sankyo shall permit an independent accounting firm of internationally recognized standing selected by Nektar and reasonably acceptable to Daiichi Sankyo to inspect during regular business hours and no more than [***] preceding the then-current Calendar Year, all or any part of Daiichi Sankyo's and its Affiliates' and Sublicensees' records and books necessary to confirm Daiichi Sankyo's

compliance with its financial obligations under this Agreement, including the correctness of any payment made or required to be made by or on behalf of Daiichi Sankyo, as applicable, and any report underlying such payment (or lack thereof), pursuant to the terms of this Agreement. Daiichi Sankyo shall, and shall cause its Affiliates and Sublicensees to, make their records available for inspection by the accounting firm during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from the accounting firm. The records shall be reviewed solely to verify the accuracy of any payment made or required to be made by or on behalf of Daiichi Sankyo, as applicable, and any report underlying such payment (or lack thereof), pursuant to the terms of this Agreement.

(c) Prior to commencing any such audit, the accounting firm shall execute an undertaking (or similar non-disclosure agreement) reasonably acceptable to Daiichi Sankyo by which the accounting firm agrees to keep confidential all information reviewed during the audit. The accounting firm shall have the right to disclose to Nektar only its conclusions regarding any payments owed under this Agreement. All information received and all information learned in the course of any audit or inspection by Nektar shall constitute the Confidential Information of Daiichi Sankyo for purposes of this Agreement. Daiichi Sankyo shall have the right to request a further determination by such accounting firm as to matters which Daiichi Sankyo disputes within [***] following receipt of such report. Daiichi Sankyo will provide Nektar and the accounting firm with a reasonably detailed statement of the grounds upon which it disputes any findings in the audit report and the accounting firm shall undertake to complete such further determination within [***] after the dispute notice is provided, which determination shall be limited to the disputed matters.

(d) Nektar shall pay for such inspections, as well as its expenses associated with enforcing its rights with respect to any payments hereunder. If an underpayment of more than [***] of the total payments due hereunder for the applicable [***] is discovered, the fees and expenses charged of the accounting firm shall be paid by Daiichi Sankyo.

7.6 No Guarantee. Nektar and Daiichi Sankyo acknowledge and agree that (a) nothing in this Agreement shall be construed as representing an estimate or projection of anticipated sales of any Licensed Product, and that (b) the milestone events and Net Sales levels set forth in this Agreement or that have otherwise been discussed by the Parties are merely intended to define the milestone payments and royalty obligations to Nektar in the event such milestone events or Net Sales levels are achieved. Neither Party provides any representation, warranty or guarantee that (i) the Manufacture of the Licensed Product for the Agreed Indications will be successful, or even if successful that it will be commercially viable; (ii) Development of the Licensed Product will be successful; (iii) that Health Registration Approvals and Pricing Approvals for the Licensed Product will be obtained; or (iv) that any other particular results will be achieved with respect to Commercialization of the Licensed Product hereunder.

8. Manufacturing and Supply.

8.1 Manufacturing Responsibility. Nektar shall have the sole right and responsibility to Manufacture the Licensed Product for the Agreed Indications in the Territory, subject to the terms of the separate Supply Agreement, in order to supply Licensed Product to Daiichi Sankyo

to fulfill all of Daiichi Sankyo's requirements for the Licensed Product in the Territory. Within [***] following the Effective Date, Daiichi Sankyo and Nektar shall negotiate in good faith the terms of an agreement which will provide for the exclusive supply by or on behalf of Nektar to Daiichi Sankyo of Manufactured Licensed Product for use in the Territory on reasonable and customary terms and conditions, including forecasting and ordering terms that are consistent with Nektar's obligations to its third party Manufacturing contractors and subject to Section 8.2 (the "**Supply Agreement**"). Nektar shall keep Daiichi Sankyo reasonably apprised of its Manufacturing activities through Daiichi Sankyo's representatives on the JSC. In addition, Nektar shall regularly and timely report to Daiichi Sankyo any material developments or discoveries relating to the Manufacture of the Licensed Product, including any material enhancements in the Manufacture of the Licensed Product, whether made by or on behalf of Nektar or otherwise of which Nektar becomes aware.

8.2 Supply Agreement Provisions – Manufacturing. With respect to the Manufacture of the Licensed Product, the Supply Agreement shall provide, *inter alia*, that: (a) Daiichi Sankyo shall reimburse Nektar for its fully burdened manufacturing costs in Manufacturing the Licensed Product for use in the Territory; (b) the price at which the Licensed Product will be sold to Daiichi Sankyo shall be adjusted [***] to reflect changes in Nektar's fully burdened manufacturing cost without profit markup; (c) for purposes of establishing the supply price for Daiichi Sankyo, fully burdened manufacturing cost without profit markup shall (i) be determined per unit of Licensed Product in accordance with GAAP and consistent with the Manufacturing party's internal accounting practices, consistently applied, for the Manufacture of the Licensed Product, and (ii) subject to audit by Daiichi Sankyo on terms substantially similar to those audit rights exercised by Nektar under Section 7.5 of this Agreement; (d) in the event of a shortage, and to the extent permitted under the agreements with Nektar's third party Manufacturing contractors, allocating to the Territory [***] of Daiichi Sankyo's requirements of the Licensed Product for the Territory before any allocation outside the Territory; (e) payment terms of [***] following delivery of the Licensed Product FCA Nektar's designated third party Manufacturer (Incoterms 2010); (f) for Licensed Product to be Packaged by Daiichi Sankyo (if any), legal title and risk of loss will pass from Nektar to Daiichi Sankyo upon delivery of the Licensed Product to the common carrier at the facility of Nektar's designated third party Manufacturer; (g) any necessary import of the Licensed Product to the EU to be undertaken by Nektar (including customs and analytics); (h) batch sizes shall be optimized to match with reasonably expected overall order volumes to allow for reasonable order frequencies and optimized shelf-life; and (i) reasonable safety stock requirements of [***] (at Nektar's expense, which shall be included in Nektar's fully burdened manufacturing costs). [***]

8.3 Supply Agreement Provisions – Packaging. At the option of Daiichi Sankyo, the Supply Agreement shall also provide for Nektar to be responsible for the Packaging of the Licensed Product. In the event that Daiichi Sankyo opts to have Nektar be responsible for Packaging of the Licensed Product, then the Supply Agreement shall provide, *inter alia*, that (a) in addition to the fully burdened manufacturing costs of Manufacturing the Licensed Product, Daiichi Sankyo shall also reimburse Nektar for its fully burdened manufacturing costs without profit markup of Packaging the Licensed Product; (b) the [***] adjustment to the price provided in Section 8.2 shall also include an adjustment to reflect changes in Nektar's costs of Packaging the Licensed Product; (c) for purposes of establishing the supply price for Daiichi Sankyo for

Packaged Product, fully burdened manufacturing cost shall (i) be determined per unit of Licensed Product in accordance with GAAP and consistent with the Packaging party's internal accounting practices, consistently applied, for the Packaging of the Licensed Product, and (ii) subject to audit by Daiichi Sankyo on terms substantially similar to those audit rights exercised by Nektar under this Agreement; (d) payment terms of [***] following delivery of the Packaged Licensed Product FCA Nektar's designated third party Packager (Incoterms 2010); (e) for Licensed Product to be Packaged by Nektar, legal title and risk of loss will pass from Nektar to Daiichi Sankyo upon delivery of the Licensed Product to the common carrier at the facility of Nektar's designated third party Packager; (f) any necessary import of Packaged Licensed Product to the EU to be undertaken by Nektar (including customs and analytics); and (g) Packaging batch sizes shall be optimized to match with reasonably expected overall order volumes to allow for reasonable order frequencies and optimized shelf-life. At the option of Daiichi Sankyo, the Supply Agreement shall also provide for the right for Daiichi Sankyo to transfer the responsibility for Packaging from Nektar to a third party Packager of Daiichi Sankyo's choice or to Daiichi Sankyo or its Affiliate, on reasonable advance written notice to Nektar and reimbursement of Nektar's costs occasioned by the transfer. For the avoidance of doubt, Packaging for the purpose of Regulatory Documentation subject to Section 6.1 shall remain under the sole responsibility of Nektar.

9. Ownership of Intellectual Property.

9.1 Disclosure. Each Party shall promptly disclose in writing to the other Party, all Inventions arising from the joint or separate activities (including any Inventions first made, conceived or first reduced to practice as a result of such activities) of the Parties (including its employees, Affiliates, sublicensees and agents) under or in connection with this Agreement.

9.2 Ownership of Inventions. Except as otherwise set forth in Sections 9.2(a) or 9.2(b), all Inventions made solely by employees, Affiliates, sublicensees or agents of a Party under or in connection with this Agreement (each, a "**Sole Invention**") shall be the exclusive property of such Party. Except as otherwise set forth in Sections 9.2(a) or 9.2(b), if at least one employee, Affiliate, sublicensee or agent of each of Nektar and Daiichi Sankyo jointly develop any Invention under or in connection with this Agreement (each, a "**Joint Invention**"), Nektar and Daiichi Sankyo shall each own an undivided one-half (1/2) interest in and to such Joint Invention, and shall have the right to freely exploit and grant licenses under any such Joint Invention and any Patent claiming such Joint Invention without consent of or a duty of accounting to the other Party. For the avoidance of doubt, the determination as to whether an Invention has been "solely" or "jointly" made shall be based upon whether employees, Affiliates, sublicensees and agents of a Party would be or are properly named as an inventor on a corresponding patent application under United States inventorship laws.

(a) Nektar Core Technology Inventions. Any and all rights, title and interest in and to all Sole Inventions and Joint Inventions which fall within the scope of Nektar Core Technology shall belong solely to Nektar ("**Nektar Core Technology Inventions**"). Daiichi Sankyo, on behalf of itself and its employees, Affiliates, Sublicensees and agents, hereby agrees to and hereby does, without additional consideration, transfer and assign to Nektar, all of its right, title and interest in and to such Nektar Core Technology Inventions and all intellectual

property rights therein including enforcement rights, and shall cause its employees, Affiliates, Sublicensees and agents to so cooperate to vest rights, title and interest therein to Nektar. Nektar shall be responsible, at its sole expense and discretion, and with the cooperation of Daiichi Sankyo, for the filing, prosecution and maintenance of foreign and domestic patent applications and patents covering such Nektar Core Technology Inventions.

(b) Daiichi Sankyo Core Technology Inventions. Any and all rights, title and interest in and to all Sole Inventions and Joint Inventions which fall within the scope of Daiichi Sankyo Core Technology shall belong solely to Daiichi Sankyo ("**Daiichi Sankyo Core Technology Inventions**"). Nektar, on behalf of itself and its employees, Affiliates, sublicensees and agents, hereby agrees to and hereby does, without additional consideration, assign to Daiichi Sankyo, all of its right, title and interest in and to any Daiichi Sankyo Core Technology Inventions and all intellectual property rights therein including enforcement rights, and shall cause its employees, Affiliates, sublicensees and agents to so cooperate to vest right, title and interest therein to Daiichi Sankyo. Daiichi Sankyo shall be responsible, at its sole expense and discretion, and with the cooperation of Nektar if requested by Daiichi Sankyo, for the filing, prosecution and maintenance of foreign and domestic patent applications and patents covering such Daiichi Sankyo Core Technology Inventions.

9.3 Assignments. Each Party shall obtain from each of its Affiliates, sublicensees, employees and agents, and from the employees and agents of its Affiliates, sublicensees and agents, who are or will be involved in the Development of the Licensed Product for Commercialization in the Territory or who are otherwise participating in the Commercialization of the Licensed Product in the Territory or who otherwise have access to any Confidential Information of the other Party, rights to any and all Information that relates to a Licensed Product in the Territory, such that each Party shall, by virtue of this Agreement, receive from the other Party, without payments beyond those required by Article 7, the licenses, ownership and other rights granted to such Party by the other Party under the terms of this Agreement.

9.4 Trademarks. Subject to the limitations and restrictions by the relevant Health Authorities, Daiichi Sankyo will Commercialize the Licensed Product under the Nektar Marks in connection with the Commercialization of the Licensed Product in the Territory. Should the Nektar Marks not be approved as the trade name in an MA (or otherwise by a competent Governmental Authority in the event the MA is silent with regard to the trade name), expire or become ineffective for any reason in the Territory, Daiichi Sankyo may use a different trademark from the Nektar Marks in the Territory, in which case the Parties will discuss in good faith and mutually agree upon what different Trademark should be used in connection with the Licensed Product in the Territory. This Section 9.4 shall apply accordingly to the so decided different Trademark as the Nektar Marks. The Licensed Product, including all labels (to the extent possible taking into account space considerations) and labeling (including package inserts), and all promotional materials will include, to the extent permitted by Applicable Law, the Nektar House Marks. Nektar shall own all right, title and interest in and to the Nektar Marks and Nektar House Marks and shall retain the sole and exclusive control and responsibility for the registration, filing, maintenance, and enforcement of any Nektar Marks against any Trademark challenge, misappropriation, or infringement suit, including instituting or defending any claims or settling or otherwise resolving such challenge, misappropriation, or Infringement Suit in the

Territory. Daiichi Sankyo (a) shall adhere to any reasonable requests from Nektar relating to Daiichi Sankyo's use of such Nektar Marks and Nektar House Marks, including those quality guidelines set forth on Exhibit D of this Agreement, and shall not at any time do or authorize to be done any act or thing that may impair the rights of Nektar therein; (b) shall not, except for the licenses granted herein, at any time claim any right or interest in or to such mark or the registrations or applications therefor; (c) shall, in each reference to and use of the Nektar Marks and Nektar House Marks in any marketing material related to the Licensed Product, identify Nektar as the owner of the Nektar Marks and Nektar House Marks; and (d) shall not register or use any Trademark confusingly similar to or identical with the Nektar Marks and Nektar House Marks.

10. Confidentiality and Non-Disclosure.

10.1 Confidentiality Generally. At all times during the Term of this Agreement and for a period of [***] following termination or expiration hereof, each Party (the "**Receiving Party**") shall, and shall cause its officers, directors, employees, agents, Affiliates and sublicensees to, keep confidential and not publish or otherwise disclose and not use, directly or indirectly, for any purpose, any Confidential Information provided to it by the other Party (the "**Disclosing Party**"), except to the extent such disclosure or use is otherwise expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement.

10.2 Permitted Disclosures. Each Party may disclose Confidential Information of the other Party to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction or other competent authority; provided however, that the Receiving Party shall first have given notice to the Disclosing Party and given the Disclosing Party a reasonable opportunity to quash any such order or obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or authority or, if disclosed, be used only for the purpose for which the order was issued; and provided further, that if such order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information that is legally required to be disclosed in response to such court or governmental order;

(b) made by a Party or its respective Affiliates or sublicensees to a Health Authority as may be necessary or useful in connection with any filing, application or request for a Health Registration Approval as permitted under this Agreement or any Ancillary Agreement; provided however, that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

(c) made by a Party to a patent authority as may be necessary or useful for purposes of obtaining or enforcing a Patent (consistent with the terms and conditions of Article 13 through 15); provided however, that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available; or

(d) otherwise required by law to be disclosed; provided however, that if either Party is required to disclose Confidential Information of the other Party, the Party required to make the disclosure shall (i) provide to the other Party reasonable advance notice of and an opportunity to comment on any such required disclosure, (ii) if requested by the other Party, seek confidential treatment with respect to any such disclosure to the extent available, and (iii) use good faith efforts to incorporate the comments of the other Party in any such disclosure or request for confidential treatment.

10.3 Exclusions. Notwithstanding the foregoing, Confidential Information shall not include any information that:

(a) is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of the Receiving Party;

(b) can be demonstrated by documentation or other competent proof to have been in the Receiving Party's or its Affiliates' possession prior to disclosure by the Disclosing Party;

(c) is subsequently received by the Receiving Party or its Affiliates from a Third Party or a sublicensee who is not bound by any obligation of confidentiality with respect to said information;

(d) is generally made available to Third Parties by the Disclosing Party without restriction on use or disclosure; or

(e) is independently developed by or for the Receiving Party or its Affiliates without reference to the Disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the Receiving Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the Receiving Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the Receiving Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the Receiving Party unless the combination and its principles are in the public domain or in the possession of the Receiving Party.

10.4 Confidentiality of Terms of Agreement. The Parties both agree that the terms of the Agreement are the Confidential Information of each Party, and they each shall keep such terms confidential and not disclose the Agreement, except as otherwise provided herein. Notwithstanding the foregoing, the Parties acknowledge and agree that either Party may be required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body to disclose this Agreement, or the terms hereof, in whole or in part, and in such case, such Party shall notify the other Party in writing and shall provide the other Party with at least [***] to request redactions thereof prior to making such filing or disclosure. The Disclosing Party shall use reasonable efforts to seek confidential treatment of any such proposed

redactions timely made, to the extent consistent with law, and use reasonable efforts to procure confidential treatment of such proposed redactions pursuant to any Applicable Law or the rules, regulations or guidelines promulgated thereunder, but provided that the foregoing shall not prevent the Party from making such public disclosures as it, on advice of counsel, must make to comply with Applicable Law. Either Party may disclose the terms of this Agreement in confidence to (a) its directors, Affiliates and professional service providers, and (b) bona fide potential investors, merger partners or acquirers and their respective professional advisors, including, with respect to Nektar, its potential licensees of the Licensed Product outside the Territory, who, in each case ((a) and (b)) are subject to reasonable written confidentiality restrictions (or if applicable ethical obligations of confidentiality), which restrictions shall, *inter alia*, in the case of the Persons described in clause (b), limit the permitted use of the terms of this Agreement solely to evaluation and negotiation of the prospective transaction and for no other purpose.

10.5 Use of Name. Neither Party shall disclose or otherwise commercially use the Trademark of the other Party or its Affiliates in any publication, press release, promotional material or other form of publicity without the prior written consent of the other Party (which written consent shall not be unreasonably withheld or delayed), except for those disclosures for which consent has previously been obtained or as provided under Section 9.4 and 10.4 through 10.6. The restrictions imposed by this Section 10.5 shall not prohibit either Party from making any disclosure identifying the other Party that is required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body, provided that any such disclosure shall be governed by this Article 10. Further, the restrictions imposed on each Party under this Section 10.5 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications, provided that any Confidential Information contained in such communications remains subject to this Article 10.

10.6 Press Release. Except to the extent already disclosed in a press release or other public communication, no public announcement concerning this Agreement, its subject matter or the transactions described herein shall be made, either directly or indirectly, by Nektar or Daiichi Sankyo or their respective Affiliates, except as may be legally required by Applicable Laws, judicial order, or required by stock exchange or quotation system rule, without first obtaining the approval of the other Party and agreement upon the nature, text and timing of such announcement, which approval and agreement shall not be unreasonably withheld or delayed. The Party desiring to make any such voluntary public announcement shall provide the other Party with a written copy of the proposed announcement in reasonably sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release. In the case of press releases or other public communications legally required, or required by stock exchange or quotation system rule, to be made, the Party making such press release or public announcement shall provide to the other Party a copy of the proposed press release or public announcement in written or electronic form upon such advance notice as is practicable under the circumstances for the purpose of allowing the notified Party to review and comment upon such press release or public announcement. Under such circumstances, the releasing Party shall not be obligated to delay making any such press release or public communication beyond the time when the same is required to be made in order to facilitate review and comment by the receiving Party.

10.7 Publication.

(a) Publishing Party. Unless otherwise agreed to by the Parties, (i) Nektar will have the sole right to submit a publication or arrange a public presentation with respect to any Development of the Licensed Product conducted by or on behalf of Nektar under this Agreement, and (ii) Daiichi Sankyo will have the sole right to submit a publication or arrange a public presentation with respect to any Development of the Licensed Product conducted by or on behalf of Daiichi Sankyo under this Agreement.

(b) Review of Publications and Public Presentations.

(i) The JSC will establish a working group to coordinate publication and presentation strategy and to review all publications and presentations with respect to any Development of the Licensed Product submitted or arranged by or on behalf of Nektar or Daiichi Sankyo under this Agreement. Such working group shall be comprised of such number of representatives from each of the Parties as the JSC may direct from time to time, supervising and directing the activities of such working group. Neither Party shall be bound by any decisions or directives of such working group, and each Party, acting as a Publishing Party, shall have the right to exercise its rights in this Section 10.7(b) independent of any decisions or directives of such working group.

(ii) If the Publishing Party desires to submit a publication or arrange a public presentation that does not contain the Confidential Information of the other Party, the Publishing Party will deliver to the other Party a copy of the proposed written publication or presentation at least [***] prior to the initial submission for publication or presentation to any Third Party. The Publishing Party agrees to give due consideration to any written comments made by the other Party on the proposed publication or presentation.

(iii) If the Publishing Party desires to submit a publication or arrange a public presentation that contains the Confidential Information of the other Party, the Publishing Party will deliver to the other Party a copy of the proposed written publication or presentation at least [***] prior to the initial submission for publication or presentation to any Third Party. The reviewing Party will have the right (A) to propose modifications to the publication or presentation for patent reasons or trade secret reasons or to remove Confidential Information of the reviewing Party or its Affiliates or sublicensees, and the Publishing Party will remove all Confidential Information of the other Party if requested by the reviewing Party, and (B) to request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay, the Publishing Party will delay submission or presentation for a period of [***] (or such shorter period as may be mutually agreed by the Parties) to enable the non-publishing Party to file patent applications protecting such Party's rights in such information. Without limiting the foregoing, the Publishing Party agrees to give due consideration to any written comments made by the other Party on the proposed publication or presentation.

(iv) With respect to any proposed publications or disclosures by investigators or academic or non-profit collaborators, such materials will be subject to review

under this Section 10.7 to the extent that the Publishing Party has the right and ability (after using Commercially Reasonable Efforts to obtain such right and ability) to do so. Further, neither Party will submit or publish any article or other publication to or with any scientific journal or other publisher that requires, as a condition of publication, that the submitting Party agree to make available to the publisher or Third Parties any materials which are the subject of the publication.

11. Representations, Warranties and Covenants.

11.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party as of the Effective Date that:

(a) it has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it has full legal power to extend the rights and licenses granted to the other Party under this Agreement;

(c) it has taken all necessary action on its part required to authorize the execution and delivery of this Agreement;

(d) it will conduct its activities under this Agreement in compliance with Applicable Laws; and

(e) neither it nor its Affiliates (i) has been debarred or is subject to debarment proceedings; or (ii) will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Applicable Law, or who is the subject of a conviction thereof. Each Party agrees to inform the other Party in writing immediately if it or any Person who is performing services hereunder is debarred under Applicable Law or is the subject of a conviction thereof, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of such Party's or its Affiliates' knowledge, is threatened, relating to the debarment or conviction of such Party or any Person performing services hereunder.

11.2 Representations and Warranties of Nektar. Nektar represents and warrants to Daiichi Sankyo as of the Effective Date as follows:

(a) Nektar is the sole and exclusive owner of all of the Licensed Patents and Licensed Know-How in the Territory, and Nektar is entitled to grant the licenses specified in Section 2.1 free and clear of all liens, claims, security interests or other encumbrances of any kind (including prior license grants) that would interfere, or the exercise of which would interfere, with Daiichi Sankyo's exercise of the licenses or rights granted hereunder;

(b) to the knowledge of Nektar, the Licensed Product Patents listed on Exhibit A represent all Patents Controlled by Nektar or its Affiliates that are particularly related to the Licensed Product in the Territory as of the Effective Date (with the understanding that there are

other claims within the Licensed Patents that may cover NKTR-102 or aspects thereof, e.g., cover Manufacturing aspects of NKTR-102);

(c) to the knowledge of Nektar, (i) the issued patents in the Licensed Patents are valid and enforceable, and (ii) there are no claims, challenges, oppositions, interferences or other proceedings pending or threatened with regard to any patent applications existing as of the Effective Date within the Licensed Product Patents;

(d) there are no judgments or settlements against Nektar or any of its Affiliates, or amounts owed by Nektar or any of its Affiliates with respect thereto, relating to the Licensed Product Patents;

(e) [***], Nektar has not received written notice alleging the Development, Manufacturing or Commercialization of the Licensed Product for the Primary Indication in the Territory violates, misappropriates or infringes any Patent or other Intellectual Property Right of any Third Party;

(f) [***], Nektar has obtained (i) from all individuals who are listed as inventors in the Licensed Patents effective assignments of all ownership rights of such individuals in such Licensed Patents and (ii) ownership interests in the Licensed Know-How sufficient for Daiichi Sankyo to Commercialize a Licensed Product in the Territory for which Daiichi Sankyo has exercised its Development rights under Article 4, and in the case of each of (i) and (ii), either pursuant to written agreement or by operation of law;

(g) all application, registration, maintenance and renewal fees in respect of the Licensed Patents in the Territory as of the Effective Date have been paid and all necessary documents and certificates have been filed with the relevant agencies for the purpose of maintaining such Licensed Patents;

(h) the Licensed Patents and Licensed Know-How comprise all of the Patents, Know-How and other Intellectual Property Rights used by Nektar, its Affiliates, consultants and contractors in the Development and Manufacture of the Licensed Product in the Territory prior to the Effective Date;

(i) Nektar has not committed any act, or omitted to commit any act, that may cause the Licensed Patents to expire prematurely or be declared invalid or unenforceable;

(j) Nektar has not initiated or been involved in any proceedings or Claims in which it alleges that any Third Party is or was infringing or misappropriating any Nektar Intellectual Property Rights licensed to Daiichi Sankyo under Section 2.1 in the Territory, nor have any such proceedings been threatened by Nektar, nor does Nektar know of any valid basis for any such proceedings;

(k) to the knowledge of Nektar, no officer or employee of Nektar is subject to any agreement with any other Third Party which requires such officer or employee to assign any interest in any Nektar Intellectual Property Rights relating to the Licensed Product or the Licensed Patents or Licensed Know-How in the Territory to any Third Party; and

(l) Nektar has not granted any right to any Third Party or Government Authority which would conflict with the rights granted to Daiichi Sankyo hereunder.

11.3 Compliance with Laws.

(a) Export Laws. Notwithstanding anything to the contrary contained herein, all obligations of Nektar and Daiichi Sankyo are subject to compliance with export and import regulations and such other Applicable Laws in effect in such jurisdictions or any other relevant country as may be applicable, and to obtaining all necessary approvals required by the applicable Government Authority of any relevant countries. Nektar and Daiichi Sankyo shall cooperate with each other and shall provide assistance to the other as reasonably necessary to obtain any required approvals.

(b) Securities Laws. Each of the Parties acknowledges that it is aware that the securities laws of the United States and other countries prohibit any Person who has material non-public information about a publicly listed company from purchasing or selling securities of such company or from communicating such information to any Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell such securities. Each Party agrees to comply with such securities laws and make its Affiliates, licensees, sublicensees, distributors, employees, contractors and agents aware of the existence of such securities laws and their need to comply with such laws.

(c) Anti-Bribery and Anti-Corruption Compliance.

(i) Each Party agrees, on behalf of itself, its officers, directors and employees and on behalf of its Affiliates, agents, representatives, distributors, consultants and subcontractors hired in connection with the subject matter of this Agreement (together with such Party, the "**Representatives**") that for the performance of its obligations hereunder:

(A) The Representatives shall not directly or indirectly pay, offer or promise to pay, authorize the payment of any money or give, offer or promise to give, or authorize the giving of anything else of value, to: (a) any Government Authority official in order to influence official action; (b) any individual or entity (whether or not a Government Authority official) (1) to influence such individual or entity to act in breach of a duty of good faith, impartiality or trust (as used in this subsection, "**acting improperly**"), (2) to reward such individual or entity for acting improperly or (3) where such individual or entity would be acting improperly by receiving the money or other thing of value; (c) any individual or entity (whether or not a Government Authority official) while knowing or having reason to know that all or any portion of the money or other thing of value will be paid, offered, promised or given to, or will otherwise benefit, a Government Authority official in order to influence official action for or against either Party in connection with the matters that are the subject of this Agreement; or (d) any individual or entity (whether or not a Government Authority official) to reward that individual or entity for acting improperly or to induce that individual or entity to act improperly.

(B) The Representatives shall not, directly or indirectly, solicit, receive or agree to accept any payment of money or anything else of value in violation of the Anti-Corruption Laws.

(ii) The Representatives shall comply with the Anti-Corruption Laws and shall not take any action that will, or would reasonably be expected to, cause either Party or their respective Affiliates to be in violation of the Anti-Corruption Laws.

(iii) Each Party, on behalf of itself and its other Representatives, represents and warrants to the other Party that to the best of such Party's and its Affiliates' knowledge, no Representative that will participate or support its performance of its obligations hereunder has, directly or indirectly, (1) paid, offered or promised to pay or authorized the payment of any money, (2) given, offered or promised to give or authorized the giving of anything else of value or (3) solicited, received or agreed to accept any payment of money or anything else of value, in each case ((1), (2) and (3)), in violation of the Anti-Corruption Laws during the three (3) years preceding the Effective Date.

(iv) Each Party shall [***] provide the other Party with written notice of the following events: (1) upon becoming aware of any breach or violation by such Party or its Representative of any representation, warranty or undertaking set forth in Sections 11.3(c)(i) through 11.3(c)(iii); or (2) upon receiving a formal notification that it is the target of a formal investigation by a Government Authority for a material Anti-Corruption Law violation or upon receipt of information from any of the Representatives connected with this Agreement that any of them is the target of a formal investigation by a Government Authority for a material Anti-Corruption Law violation.

(v) On the occurrence of any of the following events: (1) a Party becomes aware that the other Party (or any other Representative) is in breach or violation of any representation, warranty or undertaking in Sections 11.3(c)(i) and 11.3(c)(i) or of the Anti-Corruption Laws; or (2) notification is received under Section 11.3(c)(iv) relating to any suspected or actual material Anti-Corruption Law violation by a Party or its Representative, in either case ((1) or (2)), the other Party shall have the right, in addition to any other rights or remedies under this Agreement or to which such other Party may be entitled in law or equity, to (x) take such steps as are reasonably necessary in order to avoid a potential violation or continuing violation by such other Party or any of its Affiliates of the Anti-Corruption Laws, including by requiring that the Party agrees to such additional measures, representations, warranties, undertakings and other provisions as such other Party believes in good faith are reasonably necessary and (y) terminate any or all of the activities conducted by the Party pursuant to this Agreement or this Agreement in its entirety, [***] in the event that a Party reasonably concludes that there is no provision of this Agreement available that would enable such Party or its Affiliates to avoid a potential violation or continuing violation of applicable Anti-Corruption Laws.

(vi) Each Party shall be responsible for any breach of any representation, warranty or undertaking in this Section 11.3(c) or of the Anti-Corruption Laws by any of its Representatives.

(d) No Liens; Title. In addition to the covenants made by Nektar elsewhere in this Agreement, Nektar hereby covenants to Daiichi Sankyo that, from the Effective Date until expiration or termination of this Agreement:

(i) it shall not, and shall cause its Affiliates not to, incur or permit to exist, with respect to any Licensed Patents or Licensed Know-How in the Territory, any lien, encumbrance, charge, security interest, mortgage, liability, assignment, grant of license or other binding obligation that is or would be inconsistent with the licenses and other rights granted to Daiichi Sankyo under this Agreement; and

(ii) where Nektar's or its Affiliates' ownership of all right, title and interest to any of the Licensed Patents is based upon or depends on a sequence of historical transfers of title to any such Licensed Patents (e.g. chain of title to the applicable Licensed Patent) being free from defects, if at any time during the Term there is a potential defect with the validity or effectiveness in such transfers or other defect in such chain of title, then Nektar and its Affiliates shall, at their expense, use Commercially Reasonable Efforts to make any corrections and clarifications, including preparing any necessary Third Party signatures and consents, as may be necessary, and filing such documents with the applicable Government Authority, to correct such defect in chain of title.

11.4 DISCLAIMER OF WARRANTY. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTIONS 11.1, 11.2, AND 11.3, NEITHER DAIICHI SANKYO NOR NEKTAR MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS, THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR THE SUCCESSFUL EXPLOITATION OF ANY LICENSED PRODUCT OR THAT ANY PARTICULAR RESULTS WILL BE ACHIEVED IN CONNECTION WITH ACTIVITIES IN RESPECT THEREOF.

12. Indemnity.

12.1 Indemnification by Daiichi Sankyo. Subject to the other provisions of this Article 12, Daiichi Sankyo shall defend Nektar, its Affiliates and its licensees and each of their respective officers, directors, agents, representatives and employees (collectively, "**Nektar Parties**") from and against all charges, allegations, civil, criminal or administrative claims, demands, complaints, causes of action, proceedings or investigations of a Third Party (collectively, "**Third Party Claims**"), and indemnify and hold harmless such Nektar Parties from and against any and all Losses that result from any such Third Party Claims, where and to the extent that such Third Party Claims are made or brought against any Nektar Party by or on behalf of a Third Party, and solely to the extent such Third Party Claim is based on, or arises out of: (a) Daiichi Sankyo's, its Affiliates' or any of their respective Sublicensees', distributors',

subcontractors' or other agents' activities in connection with (i) Development of the Licensed Product under this Agreement by or on behalf of Daiichi Sankyo; and (ii) Commercialization of the Licensed Product Developed under this Agreement by or on Daiichi Sankyo's behalf; (b) the breach of any obligation, covenant, warranty or representation made by Daiichi Sankyo under this Agreement or any Ancillary Agreement; (c) any violation of Applicable Law by Daiichi Sankyo, its Affiliates or any of their respective Sublicensees, distributors, subcontractors or other agents in the course of activities under this Agreement or any Ancillary Agreement; or (d) the gross negligence or willful misconduct of any Daiichi Sankyo Party, their Sublicensees, subcontractors or other agents in the course of their activities under this Agreement; provided however, that Daiichi Sankyo shall not be required to defend, indemnify or hold harmless any Nektar Party to the extent that such Third Party Claim or Loss is attributable to any matter for which Nektar is obligated to indemnify a Daiichi Sankyo Party pursuant to Section 12.2 below.

12.2 Indemnification by Nektar. Subject to the other provisions of this Article 12, Nektar shall defend Daiichi Sankyo, its Affiliates and its Sublicensees and each of their respective officers, directors, agents, representatives and employees (collectively, "**Daiichi Sankyo Parties**") from and against any Third Party Claims, and indemnify and hold harmless such Daiichi Sankyo Parties from and against any and all Losses that result from any such Third Party Claims, where and to the extent that such Third Party Claims are made or brought against any Daiichi Sankyo Party by or on behalf of a Third Party, and solely to the extent such Third Party Claim is based on or arises out of: (a) claims that (i) use of the Licensed Product in the BCBM Trial infringes the Intellectual Property Rights of a Third Party; or (ii) Commercialization of the Licensed Product as Developed by Nektar or its Affiliates for the Primary Indication in the Territory infringes the Intellectual Property Rights of a Third Party; (b) the breach of any obligation, covenant, warranty or representation made by Nektar under this Agreement or any Ancillary Agreement; (c) any violation of Applicable Law by Nektar, its Affiliates or any of their respective subcontractors or other agents in the course of their activities under this Agreement; (d) the Development of the Licensed Product for the Primary Indication in the Territory by or on behalf of Nektar; (e) the Commercialization of the Licensed Product outside the Territory; or (f) the gross negligence or willful misconduct of any Nektar Party, their subcontractors or other agents in the course of their activities under this Agreement; provided however, that Nektar shall not be required to defend, indemnify or hold harmless any Daiichi Sankyo Party to the extent that such Third Party Claim or Loss is attributable to any matter for which Daiichi Sankyo is obligated to indemnify a Nektar Party pursuant to Section 12.1 above.

12.3 Indemnification Procedures. A Person entitled to indemnification pursuant to either Section 12.1 or Section 12.2 will hereinafter be referred to as an "**Indemnitee**." A Party obligated to indemnify an Indemnitee hereunder will hereinafter be referred to as an "**Indemnitor**." In the event a Nektar Indemnitee or a Daiichi Sankyo Indemnitee is seeking indemnification under either Section 12.1 or Section 12.2, Nektar or Daiichi Sankyo, as applicable, will inform the Indemnitor of a Third Party Claim (an "**Indemnification Claim Notice**") [***] after it receives notice of the Third Party Claim, it being understood and agreed that the failure to give notice of a Third Party Claim as provided in this Section 12.3 will not relieve the Indemnitor of its indemnification obligation under this Agreement except and only to the extent that such Indemnitor is actually and materially prejudiced as a result of such failure to give notice. Upon the written acknowledgement by the Indemnitor, within [***] following

receipt of such Indemnification Claim Notice acknowledging that such Third Party Claim is one with respect to which the Indemnitor is obligated to indemnify, the Indemnitee will permit the Indemnitor to assume direction and control of the defense of the Third Party Claim, and, at the Indemnitor's expense, will cooperate as reasonably requested in the defense of the Third Party Claim. The Indemnitee will have the right to retain its own counsel at its own expense. The Indemnitor may not settle such Third Party Claim, or otherwise consent to an adverse judgment in such Third Party Claim without the Indemnitee's prior written consent, not to be unreasonably withheld, conditioned or delayed; provided that the Indemnitor shall not require such consent with respect to the settlement of any Third Party Claim under which the sole relief provided is for monetary damages that are paid in full by the Indemnitor, which would not materially diminish or limit or otherwise adversely affect the rights, activities or financial interests of the Indemnitee or the Party to which that Person relates, and which does not result in any finding or admission of fault by the Indemnitee or the Party to which that Person relates. If the Indemnitor does not assume direction and control of the defense of the Third Party Claim, the Indemnitee may defend and settle such Third Party Claim (including consent to an adverse judgment in such Third Party Claim) without the Indemnitor's prior written consent.

12.4 LIMITATION OF LIABILITY. EXCEPT IN CIRCUMSTANCES OF (A) GROSS NEGLIGENCE OR WILLFUL MISCONDUCT BY A PARTY, (B) A BREACH OF ARTICLE 10 OR SECTION 2.4, (C) SOLELY WITH RESPECT TO LOSS OF PROFITS BUT NOT WITH RESPECT TO ANY OTHER SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES, SECTION 2.5, OR (D) FOR THIRD PARTY CLAIMS WHICH ARE SUBJECT TO INDEMNIFICATION UNDER THIS ARTICLE 12, IN NO EVENT SHALL ANY PARTY OR ANY OF ITS RESPECTIVE AFFILIATES BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, INCLUDING LOSS OF PROFITS, SUFFERED BY DAIICHI SANKYO, NEKTAR OR ANY OF THEIR RESPECTIVE AFFILIATES.

12.5 Insurance. Each Party shall, at its own expense, maintain comprehensive general commercial liability insurance, including product liability insurance, contractual liability, bodily injury, property damage and personal injury coverage adequate to cover its obligations and liabilities under this Agreement and the Ancillary Agreements, and which are consistent with normal business practices of comparable companies with respect to similar obligations and liabilities. Such coverage shall be purchased for a minimum limit of [***]. The Parties shall maintain such insurance for so long as this Agreement or an Ancillary Agreement is in effect, and shall from time to time provide copies of certificates of such insurance to each other upon request. If the insurance policy is written on a claims-made basis, then the coverage must be kept in place for at least [***] after the termination of this Agreement.

13. Maintenance and Prosecution of Licensed Patents.

13.1 Prosecution of Licensed Patents.

(a) Licensed Patents. Nektar shall, at its own cost, have the right and the obligation to prepare, file, prosecute (including the responsibility to conduct and manage any

interferences, reissue proceedings, oppositions and re-examinations), and maintain (collectively, "**Prosecute**" or "**Prosecution**") the Licensed Patents.

(b) Individual Patent Filings. Without limiting Section 13.1(a), Nektar shall have sole discretion and right to Prosecute Patents for Sole Inventions and Joint Inventions contained within Nektar Core Technology Inventions, and Daiichi Sankyo shall have the sole discretion and right to Prosecute Patents for Sole Inventions and Joint Inventions contained within Daiichi Sankyo Core Technology Inventions.

(c) Joint Patent Applications. With respect to applications for Patents on Joint Inventions that are neither Nektar Core Technology Inventions nor Daiichi Sankyo Core Technology Inventions (the "**Joint Patent Applications**"), the Parties shall determine which Party shall be responsible for Prosecuting Patents on behalf of both Parties (the "**Responsible Party**") based on a good faith determination of the relative contributions of the Parties to the Joint Invention and the relative interests of the Parties in the Joint Invention. At least [***] prior to the contemplated filing of such Joint Patent Application, the Responsible Party shall submit a substantially completed draft of the Joint Patent Application to the other Party for its approval, which shall not be unreasonably withheld or delayed. Except as set forth below, the Parties shall share equally the costs of the Prosecution of all Joint Patent Applications. If either Party elects not to pay its portion of any shared costs for a Joint Patent Application or Patent issuing therefrom, the other Party may proceed with such Joint Patent Application in its own name and at its sole expense, in which case the Party electing not to pay its share of costs hereby agrees to transfer and assign and shall transfer and assign its entire right, title and interest in and to such Joint Patent Application to the other Party and such Invention shall be treated as a Sole Invention of the assignee for the purposes of Section 13.1(b).

(d) Further Actions. Each Party shall cooperate with the other Party to execute all documents and take all reasonable actions to effect the intent of this Section 13.1.

13.2 Patent Term Extensions. [***]. If any such extension may only be sought by a party holding the applicable Marketing Authorization within the Territory, then following the transfer of such Marketing Authorization by Nektar to Daiichi Sankyo, if requested by Nektar, and at Nektar's expense, Daiichi Sankyo shall apply to obtain such an extension at Nektar's direction, in which case Daiichi Sankyo agrees to cooperate with Nektar in the exercise of such authorization and shall execute such documents and take such additional action as Nektar may reasonably request in connection therewith. [***]

14. Enforcement of Patents.

14.1 Notice of Infringement. If either Party believes that a Third Party is infringing any of the Patents licensed to the other Party under this Agreement in the Territory, or is requesting a license or other right under such Patents in the Territory ("**Third Party Infringing Activities**"), such Party shall [***] notify the other Party in writing, identifying the alleged infringer and the alleged infringement complained of and furnishing the information upon which such determination is based.

14.2 Control of Enforcement. If any Third Party Infringing Activity infringes any Licensed Patent, then Nektar shall have the sole right and subject to this Section 14.2, the obligation, through counsel of its choosing, to take any measures it deems appropriate to stop such Third Party Infringing Activity that materially affects the Licensed Product in the Territory, including granting to the infringing Third Party adequate rights and licenses under the Licensed Patents necessary for continuing such activities; [***]. The Parties will cooperate in good faith to determine the appropriate measures to stop any Third Party Infringing Activity that infringes any jointly owned Joint Inventions.

14.3 Cooperation. Upon reasonable request by the Party permitted to take legal action against Third Party Infringing Activities under this Article 14 (the "**Enforcing Party**"), the other Party shall give the Enforcing Party all reasonable information and assistance, including allowing the Enforcing Party reasonable access to its files and documents and personnel who may have possession of relevant information.

14.4 Recovery. Any amounts recovered with respect to Third Party Infringing Activities, whether by settlement or judgment, shall be used first to reimburse the Parties for their reasonable costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses), with any remainder being paid to the Parties [***].

15. Potential Third Party Actions.

15.1 Invalidity or Unenforceability Defenses or Actions.

(a) Notice. If a Third Party asserts that any Patent licensed to the other Party under this Agreement is invalid or unenforceable in the Territory, whether as a defense or as a counterclaim in a legal action or in a declaratory judgment action or similar action or claim (any such defense, counterclaim, claim, or action, an "**Invalidity Action**"), then the Party first becoming aware of the Invalidity Action shall [***] give written notice to the other Party. For the avoidance of doubt, in no event shall any interferences, reissue proceedings, oppositions and re-examinations be deemed an Invalidity Action, and the conduct and management of any such matters shall be governed by the provisions of Article 14.

(b) Control of Action. [***].

15.2 Third Party Litigation. In the event of any actual or threatened suit against Nektar or its Affiliates or licensees, or Daiichi Sankyo or its Affiliates, Sublicensees or customers alleging that the Development, Manufacturing or Commercialization of the Licensed Product in the Territory infringes the Intellectual Property Rights of any Third Party (an "**Infringement Suit**"), the Party first becoming aware of such Infringement Suit shall [***] give written notice to the other Party. [***]

15.3 Cooperation. Except to the extent restricted from doing so by Applicable Law or contract, each Party will provide to the other Party, at other Party's expense, all reasonable assistance requested by other Party in connection with any action, claim or suit under Section

15.1 or 15.2 solely to the extent necessary or reasonably useful to respond to or defend against the applicable actions or claims.

16. Term and Termination.

16.1 Term. The term of this Agreement shall take effect as of the Effective Date and shall continue until (a) expiration, which shall occur automatically upon the expiry of all obligations of Daiichi Sankyo to pay royalties with respect to the Licensed Product in all countries in the Territory, or (b) earlier terminated in accordance with this Article 16 (the "**Term**"). [***] prior to expiration of this Agreement, the Parties will meet and negotiate in good faith about new supply terms for the Manufacture of the Licensed Product in the Territory following such expiration. If the Parties are unable to agree on new supply terms, then Nektar shall have no obligation to continue to Manufacture (and, if applicable, Package) Licensed Product following such expiration.

16.2 Termination by Either Party.

(a) Termination for Material Breach. If either Party (the "**Breaching Party**") is in material breach of this Agreement, in addition to any other right or remedy the other Party (the "**Complaining Party**") may have, the Complaining Party may terminate this Agreement by providing the Breaching Party notice specifying the breach and an opportunity to cure such breach in accordance with this Section 16.2(a) (the "**Termination Notice**"). The Breaching Party shall have [***] from receiving such notice to cure the breach (or, if such breach cannot be cured within such period, and if the Breaching Party commences good faith, diligent actions to cure such breach within such [***] period, such [***] as the Breaching Party is thereafter diligently continuing such good faith actions to cure the breach as soon as possible) (the "**Cure Period**"), and provided that the Cure Period for payment breaches shall be [***] from the date of notice (and shall not, for clarity, be subject to any extension of the Cure Period under the foregoing). If the breach is not cured within the Cure Period, the Termination Notice shall become effective [***] following the expiration of the Cure Period (unless the Complaining Party waives termination in writing prior thereto).

(b) Termination Upon Bankruptcy. A Party shall be deemed a "**Debtor**" under this Agreement if, at any time during which a Party has rights to the other Party's Intellectual Property Rights under this Agreement, (a) a case is commenced by or against such Party under the Bankruptcy Code, (b) such Party files for or is subject to the institution of bankruptcy, liquidation or receivership proceedings (other than a case under the Bankruptcy Code), (c) such Party assigns all or substantially all of its assets for the benefit of creditors, (d) a receiver or custodian is appointed for such Party's business, or (e) substantially all of such Party's business is subject to attachment or similar process; provided however, that in the case of any involuntary case under the Bankruptcy Code, such Party shall not be deemed a Debtor if the case is dismissed within [***] after the commencement thereof. In the event that such Party is deemed a Debtor, the other Party may terminate this Agreement by providing written notice to the Debtor. All rights and licenses granted under or pursuant to this Agreement by Nektar are, and shall be deemed to be, for purposes of Section 365(n) of the Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. The

Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code. If a Party is the Debtor, then the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property necessary to enjoy the benefits of this Agreement and all embodiments of such intellectual property, and if not already in the non-Debtor Party's possession, such shall be promptly delivered to such Party upon its written request therefor and in the case where Nektar is the Debtor, the same shall not affect Daiichi Sankyo's payment or other obligations to Nektar hereunder.

(c) Termination Prior to Receipt of Final Marketing Authorization by Daiichi Sankyo. Daiichi Sankyo may terminate this Agreement in its entirety pursuant to this Section 16.2(c) prior to receipt of Final Marketing Authorization for the Licensed Product, if (i) the BCBM Trial is completed and is determined by the Health Authority for the EMA Territory to be insufficient to support a grant of Final Marketing Authorization; (ii) (A) the Conditional Marketing Authorization is not granted in the EMA Territory on or prior to [***], or (B) prior to [***] it becomes apparent that it is impossible for the Conditional Marketing Authorization to be granted in the EMA Territory on or prior to [***]; (iii) the BCBM Trial is stopped after [***] due to a bona fide material safety issue or a finding of lack of efficacy regarding the Licensed Product; or (iv) the EMA requires any changes to the Anticipated Labeled Indication and such changes result in the Anticipated Labeled Indication being narrower than the Narrow Labeled Indication.

(d) Termination Prior to Receipt of Final Marketing Authorization by Nektar. Nektar may terminate this Agreement in its entirety pursuant to this Section 16.2(d) prior to receipt of Final Marketing Authorization for the Licensed Product, if (i) the BCBM Trial is completed and is determined by the Health Authority for the EMA Territory to be insufficient to support a grant of Final Marketing Authorization; (ii) the Conditional Marketing Authorization is not granted in the EMA Territory on or prior to [***]; (iii) the BCBM Trial is stopped after [***] due to a bona fide material safety issue or a finding of lack of efficacy regarding the Licensed Product; or (iv) the EMA requires any changes to the Anticipated Labeled Indication and such changes result in a material increase in the costs and expenses of the BCBM Trial and Daiichi Sankyo has, within [***] from having been notified by Nektar about the expected amount of the increase, failed to offer to Nektar in writing to reimburse it for the additional costs and expenses [***].

(e) Notice period. In order to terminate this Agreement pursuant to Section 16.2(c) and 16.2(d), the Party electing to terminate this Agreement shall provide the other Party with written notice of its election to terminate not later than [***] following the occurrence of the event giving rise to the right to so terminate this Agreement, such termination to be effective [***] following the date upon which the terminating Party delivers such written notice.

(f) Refund upon termination. If Daiichi Sankyo terminates this Agreement pursuant to clauses (ii) or (iv) of Section 16.2(c), or if Nektar terminates this Agreement pursuant to clause (iv) of Section 16.2(d), then, as Daiichi Sankyo's sole and exclusive remedy, Nektar shall issue to Daiichi Sankyo a refund in an amount equal to twelve million five hundred thousand U.S. Dollars ($12,500,000) within [***] of the effective date of such termination.

(g) Termination by Nektar Related to Post MA Approval Obligations. In the event that any post-approval commitments or obligations imposed by the Health Authority for either the EMA Territory or Switzerland which are the responsibility of Nektar pursuant to Section 4.6 would require Nektar to conduct a clinical trial of the Licensed Product in addition to the BCBM Trial, then (A) if the applicable commitment or obligation is imposed by the Health Authority for the EMA Territory, Nektar may terminate this Agreement in its entirety by providing Daiichi Sankyo [***] prior written notice, such notice to be delivered to Daiichi Sankyo not later than [***] from Nektar's receipt of the written imposition of the commitment or obligation from the Health Authority for the EMA Territory; and (B) if the applicable commitment or obligation is imposed by the Health Authority for Switzerland, Nektar may terminate this Agreement solely as it relates to Switzerland by providing Daiichi Sankyo [***] prior written notice, such notice to be delivered to Daiichi Sankyo not later than [***] from Nektar's receipt of the written imposition of the commitment or obligation from the Health Authority for Switzerland. In the event that within [***] of Daiichi Sankyo's receipt of a termination notice from Nektar pursuant to Section 16.2(g)(A) or (B) Daiichi Sankyo agrees in writing to reimburse Nektar's out-of-pocket costs and expenses of fulfilling the commitment or obligation giving rise to the Nektar termination notice [***], then Nektar shall withdraw its termination notice and perform the commitment or obligation.

16.3 Termination by Daiichi Sankyo. Daiichi Sankyo may terminate this Agreement in its entirety at any time following receipt of Final Marketing Authorization for the Licensed Product subject to providing Nektar [***] prior written notice.

16.4 Termination by Nektar. If Daiichi Sankyo, any of its Affiliates or any of its Sublicensees makes any request for, or filing or declaration of, or commences or maintains any action involving, or otherwise directly or indirectly pursues, any interference, opposition, challenge as to ownership, assertion of invalidity or unenforceability, unpatentability, revocation or reexamination relating to any Licensed Patents, or based on any of the foregoing, challenges or withholds the payment of any royalty under this Agreement in any lawsuit or any other civil or administrative proceeding, or in connection with making of any claim or counterclaim, before any court, tribunal, agency or governmental entity anywhere in the world ("**Licensed Patent Action**"), or otherwise assists any Third Party in connection with any Licensed Patent Action, then Nektar shall have the right, but not the obligation, to terminate this Agreement upon providing written notice of such termination to Daiichi Sankyo [***].

16.5 Rights and Obligations Following Termination. If this Agreement is terminated, all rights and licenses granted to Daiichi Sankyo under this Agreement shall terminate and revert exclusively to Nektar and the consequences set forth in this Section 16.5 shall apply on and after the effective date of the termination of this Agreement.

(a) Continuation of Right to Sell and Distribute. Upon termination of this Agreement with respect to any Licensed Product Manufactured prior to the effective date of termination and supplied to Daiichi Sankyo, Daiichi Sankyo, its Affiliates and Sublicensees shall have the ongoing right (including after the date of termination) to sell and distribute such Licensed Product in accordance with this Agreement, provided that, until such Licensed Product

has been sold, Daiichi Sankyo's payment and record keeping obligations under Article 7 shall continue to apply.

(b) Return of Confidential Information. Each Party shall return all data, files, records and other materials in its possession or control containing or comprising the other Party's Information or other Confidential Information to which such first Party does not retain rights under the surviving provisions of this Agreement (except one copy of which may be retained solely for archival purposes and which remains subject to continuing compliance with the non-use and non-disclosure obligations set forth in Article 10).

(c) Access to Data; Right of Reference. In addition to Nektar's rights elsewhere in this Agreement, Daiichi Sankyo and its Affiliates shall disclose and transfer to Nektar (i) copies of all Information of Daiichi Sankyo and its Affiliates and Sublicensees relating to the Licensed Product, and automatically grant to Nektar, effective as of the effective date of any such termination of this Agreement, an exclusive (even as to Daiichi Sankyo) right to use such Information for all purposes related to the Licensed Product; and (ii) a right of reference (which right is fully transferable to other parties, with Daiichi Sankyo agreeing to provide any needed letters acknowledging such right of reference as needed by any transferee) to all Regulatory Documentation that Daiichi Sankyo and its Affiliates Control, to the extent necessary for Nektar to Develop, Manufacture and Commercialize the Licensed Product.

(d) License to Information and Daiichi Sankyo Patents.

(i) Daiichi Sankyo shall grant to Nektar, effective as of the effective date of any such termination of this Agreement, a perpetual, irrevocable, sublicenseable, non-exclusive license under any Information generated by Daiichi Sankyo, its Affiliates or Sublicensees under this Agreement to Develop, Manufacture and Commercialize the Licensed Product. If Nektar has not previously compensated Daiichi Sankyo for the use of such Information pursuant to Section 4.2, then Nektar and Daiichi Sankyo shall mutually negotiate in good faith the reasonable compensation to be paid by Nektar to Daiichi Sankyo for the license granted in this Section 16.5(d)(i), provided that no such compensation shall be payable by Nektar if the termination of this Agreement was due to breach by Daiichi Sankyo pursuant to Section 16.2(a).

(ii) Upon request of Nektar, the Parties shall negotiate in good faith the grant by Daiichi Sankyo to Nektar of a license under any and all Patents Controlled by Daiichi Sankyo or its Affiliates or Sublicensees, covering inventions, technology or other Information necessary to Develop, Manufacture and Commercialize the Licensed Product with respect to all countries in the Territory.

(e) Regulatory Documentation. Daiichi Sankyo shall, to the extent technically possible and if not prohibited under Applicable Law, promptly transfer and assign to Nektar any and all right, title, and interest in any and all Health Registration Approvals and Pricing Approvals, all applications therefor, and all Regulatory Documentation assigned by Nektar to Daiichi Sankyo under the terms of this Agreement, including the Final Marketing Authorization and any other Marketing Authorization. With respect to such transferred Health

Registration Approvals, Pricing Approvals and Regulatory Documentation, Daiichi Sankyo will submit to the applicable Health Authorities, within [***] after the effective date of such termination, a letter (with a copy to Nektar) or other communication required by the applicable Health Authorities, notifying such Health Authorities of such transfer. Prior to submitting any such letters, Daiichi Sankyo shall make available any such letter to Nektar at least [***] prior to its submission, and shall make such changes as Nektar may reasonably request prior to the submission of such letter to the applicable Health Authority, each such letter or other communication to be reasonably satisfactory to Nektar in form and content.

(f) Termination of Manufacturing and Packaging Obligations of Nektar. Termination of this Agreement shall also terminate Nektar's obligation to Manufacture (and, if applicable, Package) Licensed Product.

16.6 Post-termination Indemnification. Nektar shall indemnify and hold Daiichi Sankyo harmless from and against any and all Losses that result from any Third Party Claims brought against Daiichi Sankyo to the extent based on the Development, Manufacture, and Commercialization of the Licensed Product conducted by or on behalf of Nektar worldwide from and after the effective date of such termination.

16.7 Remedies. Termination or expiration of this Agreement by a Party shall in no way affect or limit such Party's right to claim against the other Party for any damages arising out of a breach of this Agreement.

16.8 Accrued Rights; Surviving Obligations.

(a) Accrued Rights. The expiration or termination of this Agreement shall not relieve the Parties from performing any obligations accrued under this Agreement prior to, or exercising any of its rights hereunder with respect to any breach by the other Party of the Agreement occurring prior to, the date this Agreement expires or terminates (including the obligation to make payments accrued as of the effective date of such expiration or termination but not yet paid).

(b) Survival Following Expiration or Termination. If this Agreement expires or terminates, each Party's rights and obligations under Sections 2.6, 4.4 (for a period of [***] following the termination of this Agreement), 7.5 (for the applicable period of time provided therein), 7.6, 9.2, 9.3, and Articles 10 (for a period of [***] following the termination of this Agreement), 11, 12, 16, 18 and 19 shall survive the expiration or termination of this Agreement.

17. Informal Dispute Resolution.

If a dispute, other than a dispute under Article 3 of this Agreement or a Legal Matter, arises between the Parties in connection with or relating to this Agreement or any document or instrument delivered in connection herewith, then either Party shall have the right to refer such dispute to the Executives, who shall confer within [***] after such dispute was first referred to them to attempt to resolve the dispute by good faith negotiations. Any final decision mutually agreed to by the Executives in writing shall be conclusive and binding on the Parties.

18. Governing Law, Jurisdiction, Venue and Service.

18.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods.

18.2 Jurisdiction. Subject to Section 19.9, the Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the U.S. District Court for the Southern District of New York (or if such court does not have subject matter jurisdiction, the state courts of the State of New York located in New York County) for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement or any Ancillary Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties irrevocably and unconditionally waive their right to a jury trial.

18.3 Venue. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts set forth in Section 18.2, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

18.4 [Intentionally left blank.]

18.5 Change of Control. In the event of a Change of Control in Nektar involving a Third Party who is a Competitor as of the date of such Change of Control:

(a) Daiichi Sankyo shall have the right to require that Nektar, the Competitor with whom such Change of Control is effected, and each of their respective Affiliates, adopt procedures reasonably calculated to limit the use by or the dissemination of Sensitive Information to, only those Persons employed by or under contract with Nektar or its Affiliates, in each case having a need to know such Sensitive Information in order for Nektar to perform its obligations and exercise its rights under this Agreement.

(b) For the purpose of this Section 18.5, "**Sensitive Information**" means all Confidential Information of Daiichi Sankyo or its Affiliates disclosed to Nektar, its Affiliates or Persons employed by or under contract with Nektar or its Affiliates including Confidential Information arising from Daiichi Sankyo's Commercialization of the Licensed Product hereunder.

18.6 Assignment. Neither Party will assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, which consent will not be unreasonably withheld or delayed, except as follows: (a) Nektar may assign its rights and obligations under this Agreement by way of sale of Nektar or the sale of all or substantially all of the business of Nektar to which this Agreement relates, through merger, sale of assets or sale of

stock or ownership interest; (b) either Party may assign its rights and obligations under this Agreement to an Affiliate of such Party; and (c) Nektar may assign any or all of its rights under Article 7 in connection with a financing transaction, and Daiichi Sankyo agrees that, upon written notice from Nektar (or any direct or indirect permitted assignee contemplated by this Section 18.6), Daiichi Sankyo shall deliver any future payments, together with any reports or statements contemplated under Article 7, in accordance with the directions in such written notice. Nektar will timely notify Daiichi Sankyo of any assignment or transfer under the provisions of clause (a) of this Section 18.6. The assigning Party will remain liable for all of its rights and obligations under this Agreement, including those in effect after the applicable assignment. This Agreement will be binding upon the successors and permitted assigns of the Parties, and the name of a Party appearing herein will be deemed to include the names of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment not in accordance with this Section 18.6 will be void.

19. Miscellaneous.

19.1 Force Majeure.

(a) In this Agreement, "**Force Majeure**" means an event which is beyond a non-performing Party's reasonable control, including an act of God, act of the other Party, strike, lock-out or other industrial/labor disputes (whether involving the workforce of the Party so prevented or of any other Person), war, riot, civil commotion, terrorist act, malicious damage, epidemic, quarantine, fire, flood, storm, natural disaster or compliance with any law or governmental order, rule, regulation or direction (including changes in the requirements of the Health Authorities), whether or not it is later held to be invalid.

(b) The Force Majeure Party shall, within [***] of the occurrence of a Force Majeure event, give notice in writing to the other Party specifying the nature and extent of the event of Force Majeure, its anticipated duration and any action being taken to avoid or minimize its effect. Subject to providing such notice and to Section 19.1(a), the Force Majeure Party shall not be liable for delay in performance or for non-performance of its obligations under this Agreement or any Ancillary Agreement, in whole or in part, nor shall the other Party have the right to terminate this Agreement (or the applicable Ancillary Agreement), except as otherwise provided in this Agreement (or the applicable Ancillary Agreement), where non-performance or delay in performance has resulted from an event of Force Majeure. The suspension of performance allowed hereunder shall be of no greater scope and no longer duration than is reasonably required.

(c) The Force Majeure Party shall use Commercially Reasonable Efforts to (i) bring the Force Majeure event to a close or (ii) find a solution by which the Agreement may be performed despite the continuation of the event of Force Majeure.

19.2 Severability. To the fullest extent permitted by Applicable Law, the Parties waive any provision of law that would render any provision in this Agreement invalid, illegal or unenforceable in any respect. If any provision of this Agreement is held to be invalid, illegal or unenforceable, in any respect, then such provision will be given no effect by the Parties and shall

not form part of this Agreement. To the fullest extent permitted by Applicable Law and if the rights or obligations of any Party will not be materially and adversely affected, all other provisions of this Agreement shall remain in full force and effect, and the Parties shall use their best efforts to negotiate a provision in replacement of the provision held invalid, illegal or unenforceable that is consistent with Applicable Law and achieves, as nearly as possible, the original intention of the Parties.

19.3 Notices.

(a) Notice Requirements. Any notice, request, demand, waiver, consent, approval or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if delivered by hand or by internationally recognized overnight delivery service, addressed to the Parties at their respective addresses specified in Section 19.3(b) or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 19.3. Such notice shall be deemed to have been given as of the date delivered by hand or on the second Business Day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. This Section 19.3 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

(b) Address for Notice.

For: Daiichi Sankyo Europe GmbH
Address: Zielstattstr 48, 81379 Munich, Germany
For the attention of: Affiliate and Brand Management

With a copy to: Legal Department
Address: Zielstattstr 48, 81379 Munich, Germany

For: Nektar Therapeutics
Address: 455 Mission Bay Boulevard South
San Francisco, California, USA 94158
For the attention of: General Counsel

With a copy to: Hogan Lovells US LLP
Address: 875 Third Avenue
New York, NY 10022
For the attention of: Adam H. Golden, Esq.

19.4 Relationship of the Parties. The status of a Party under this Agreement shall be that of an independent contractor. Nothing contained in this Agreement shall be construed as creating a partnership, joint venture or agency relationship between the Parties or, except as otherwise expressly provided in this Agreement, as granting either Party the authority to bind or contract any obligation in the name of or on the account of the other Party or to make any statements, representations, warranties or commitments on behalf of the other Party. All persons

employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

19.5 Entire Agreement. This Agreement, together with the Ancillary Agreements, constitutes the entire agreement between the Parties with respect to the subject matter of the Agreement. This Agreement supersedes all prior agreements, whether written or oral, with respect to the subject matter of the Agreement. The Parties shall (or shall cause their applicable Affiliate to) terminate the Confidentiality Agreements effective as of the Effective Date and to agree that any surviving obligations thereunder are superseded by this Agreement; provided that each of the Parties acknowledges and agrees that such termination of the Confidentiality Agreements shall not relieve the Parties for obligations under such agreement for breaches thereof which occurred prior to the Effective Date. Each Party confirms that it is not relying on any statements, representations, warranties or covenants of any person (whether a Party to this Agreement or not) except as specifically set out in this Agreement or the Ancillary Agreements. All Exhibits referred to in this Agreement are intended to be and are hereby specifically incorporated into and made a part of this Agreement. In the event of any inconsistency between any such Exhibits and this Agreement, the terms of this Agreement shall govern.

19.6 English Language. This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this Agreement and in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.

19.7 Amendment. Any amendment, modification or supplement of this Agreement must be in writing and signed by authorized representatives of both Parties.

19.8 Waiver. A Party's failure to enforce, at any time or for any period of time, any provision of this Agreement, or to exercise any right or remedy shall not constitute a waiver of that provision, right or remedy or prevent such Party from enforcing any or all provisions of this Agreement and exercising any rights or remedies. To be effective any waiver must be in writing.

19.9 Equitable Relief. Notwithstanding anything in this Agreement to the contrary:

(a) Each Party acknowledges and agrees that the restrictions set forth in Section 2.6 and Article 10 of this Agreement are reasonable and necessary to protect the legitimate interests of the other Party, and that the other Party would not have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of Section 2.6 or Article 10 will result in irreparable injury to the other Party for which there may be no adequate remedy at law.

(b) In the event of a breach or threatened breach of any provision of Section 2.4, Section 2.6 or Article 10 by a Party, the other Party shall be authorized and entitled to seek to obtain from any court of competent jurisdiction equitable relief, whether preliminary or permanent, specific performance, which rights shall be cumulative and in addition to any other rights or remedies to which such other Party may be entitled in law or equity.

(c) Nothing in this Section 19.9 is intended, or should be construed, to limit a Party's rights to equitable relief or any other remedy for a breach of any other provision of this Agreement.

19.10 Further Assurance. Each Party shall perform all further acts and things and execute and deliver such further documents as may be necessary or as the other Party may reasonably require to implement or give effect to this Agreement.

19.11 Expenses. Except as otherwise expressly provided in this Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this Agreement.

19.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall be deemed to constitute one and the same instrument. An executed signature page of this Agreement delivered by facsimile transmission or by electronic mail in "portable document format" ("**.pdf**") shall be as effective as an original executed signature page.

[Signature Page Follows]

THIS AGREEMENT IS EXECUTED by the authorized representatives of the Parties as of the date first written above.

DAIICHI SANKYO EUROPE GmbH

/s/ Jan Van Ruymbeke

Signature

Name: Dr. Jan Van Ruymbeke

Title: Managing Director, CEO

/s/ Martin Hesse

Signature

Name: Martin Hesse

Title: Managing Director, CFO

NEKTAR THERAPEUTICS

/s/ Howard W. Robin

Signature

Name: Howard W. Robin

Title: President & CEO

Exhibit A

Licensed Product Patents

[***]

Exhibit B-1

Nektar Marks

ONZEALD

Exhibit B-2

Nektar House Marks

NEKTAR

Exhibit C

Summary of BCBM Protocol

[***]

Exhibit D

Trademark Quality Guidelines

In the event of a corporate-wide update to Nektar's logo, the Trademark Quality Guidelines (this Exhibit D) to be updated accordingly with sufficient notice to Daiichi Sankyo.

Exhibit 31.1

CERTIFICATIONS

I, Howard W. Robin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nektar Therapeutics;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ HOWARD W. ROBIN

Howard W. Robin
Chief Executive Officer, President and Director

Exhibit 31.2

CERTIFICATIONS

I, Gil M. Labrucherie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nektar Therapeutics;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ GIL M. LABRUCHERIE

Gil M. Labrucherie
Senior Vice President and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATIONS*

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Howard W. Robin, Chief Executive Officer, President and Director of Nektar Therapeutics (the "Company"), and Gil M. Labrucherie, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2016, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 4, 2016

/s/ HOWARD W. ROBIN
Howard W. Robin
Chief Executive Officer, President and Director

/s/ GIL M. LABRUCHERIE
Gil M. Labrucherie
Senior Vice President and Chief Financial Officer

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.