NEKTAR THERAPEUTICS
Form 10-K
March 01, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2010

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 and zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ 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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The approximate aggregate market value of voting stock held by non-affiliates of the registrant, based upon the last sale price of the registrant s common stock on the last business day of the registrant s most recently completed second fiscal quarter, June 30, 2010 (based upon the closing sale price of the registrant s common stock listed as reported on the NASDAQ Global Select Market), was approximately $1,134,446,342. This calculation excludes approximately 375,281 shares held by directors and executive officers of the registrant. Exclusion of these shares does not constitute a determination that each such person is an affiliate of the registrant.

As of February 25, 2011, the number of outstanding shares of the registrant s common stock was 113,753,566.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant s definitive Proxy Statement to be filed for its 2011 Annual Meeting of Stockholders are incorporated by reference into Part III hereof. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

NEKTAR THERAPEUTICS

2010 ANNUAL REPORT ON FORM 10-K

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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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact are forward-looking statements for purposes of this annual report on Form 10-K, including any projections of earnings, revenue or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, pre-clinical development, clinical trials and manufacturing), any statements concerning proposed drug candidates or other new products or services, any statements regarding future economic conditions or performance, any statements regarding the success of our collaboration arrangements, any statements regarding our plans and objectives to initiate Phase 3 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 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 I, Item 1A Risk Factors below and for the reasons described elsewhere in this annual report on Form 10-K. 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 annual report on Form 10-K, 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, registered trademarks or service marks 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.

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PART I

Item 1. *Business*

We are a clinical-stage biopharmaceutical company developing a pipeline of drug candidates that utilize our PEGylation and advanced polymer conjugate technology platforms, which are designed to improve the benefits of drugs for patients. Our current proprietary product pipeline is comprised of drug candidates across a number of therapeutic areas including oncology, pain, anti-infectives, anti-viral and immunology. Our research and development activities involve small molecule drugs, peptides and other potential biologic drug candidates. We create our innovative drug candidates by using our proprietary advanced polymer conjugate technologies and expertise to modify the chemical structure of drugs 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 the molecule when it is bonded with polymers. 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 pharmacokinetics, pharmacodynamics, half-life, bioavailability, metabolism or distribution of drugs and improve the overall benefits and use of a drug for the patient. Our objective is to apply our advanced polymer conjugate technology platform to create new drugs in multiple therapeutic areas.

Each of our drug candidates is a proprietary new chemical or biological entity that addresses large potential markets. We are developing drug candidates that can be delivered by either oral or subcutaneous administration. Our most advanced proprietary product candidate, NKTR-118 (oral PEG-naloxol), is a peripheral opioid antagonist that is currently being evaluated for the treatment of opioid-induced constipation. In September 2009, we entered into a license agreement with AstraZeneca AB for the global development and commercialization of NKTR-118 and NKTR-119. NKTR-119 is an early stage research and development program that is designed to combine various opioids with NKTR-118.

Our other lead drug candidate, NKTR-102, a topoisomerase I inhibitor-polymer conjugate, is currently being evaluated in three separate Phase 2 clinical trials for ovarian, breast and colorectal cancers. In June 2010, we announced that we expanded the Phase 2 clinical study by 50 patients in platinum resistant/refractory ovarian cancer to evaluate NKTR-102 in a subset of women who had progressed after prior treatment with Doxil. On March 1, 2011, we announced that we intended to further expand this Phase 2 clinical study by up to an additional 60 patients. The Phase 2 clinical study for NTKR-102 in metastatic breast cancer is fully enrolled and is expected to be completed in 2011. The Phase 2 clinical trial in colorectal cancer is still enrolling patients. In December 2010, we announced that we would advance NKTR-102 into Phase 3 development in metastatic breast cancer and we are also exploring various Phase 3 clinical trial alternatives for NKTR-102 in platinum resistant/refractory ovarian cancer. We are also currently conducting a Phase 1 clinical trial for NKTR-105 (PEGylated docetaxel) for patients with refractory solid tumors. In addition, we have a number of early stage programs in research and preclinical development.

We have a number of license, manufacturing and supply agreements for our technology with leading biotechnology and pharmaceutical companies, including Affymax, Amgen, Baxter, Roche, Merck (through its acquisition of Schering Plough), Pfizer and UCB Pharma. A total of seven products using our PEGylation technology platform have received regulatory approval in the U.S. or Europe, and are currently marketed by our collaboration partners. There are also a number of other products in clinical development that incorporate our advanced PEGylation and advanced polymer conjugate technology platforms.

We have a collaboration with Bayer Healthcare LLC to develop BAY41-6551 (NKTR-061, Amikacin Inhale), which is an inhaled solution of amikacin, an aminoglycoside antibiotic. We originally developed the liquid aerosol inhalation platform and product and entered into a collaboration agreement with Bayer Healthcare LLC in August 2007 for its further development and commercialization. BAY41-6551 completed Phase 2 development and we and Bayer are currently preparing for the start of a Phase 3 clinical study. Bayer and Nektar have been working together to prepare for the pivotal studies of BAY41-6551 following the consummation of the collaboration in August 2007. The program is behind schedule. The reason for this is that Bayer and Nektar decided to finalize the design of the

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device for commercial manufacturing prior to initiating Phase 3 clinical development with the objective of commencing Phase 3 clinical trials as soon as possible following completion of this work.

On December 31, 2008, we completed the sale and transfer of certain pulmonary technology rights, certain pulmonary collaboration agreements and approximately 140 of our dedicated pulmonary personnel and operations to Novartis Pharma AG. We retained all of our rights to BAY41-6551 and certain rights to receive royalties on net sales of the Cipro Inhale (also known as Ciprofloxacin Inhaled Powder or CIP) program with Bayer Schering Pharma AG that we transferred to Novartis as part of the transaction. We also retained certain intellectual property rights to patents specific to inhaled insulin.

Corporate Information

We were incorporated in California in 1990 and reincorporated in Delaware in 1998. We maintain our executive offices at 455 Mission Bay Boulevard South, San Francisco, California 94158, and our main telephone number is (415) 482-5300. Our website is located at www.nektar.com. The information contained in, or that can be accessed through, our website is not part of, and is not incorporated in, this Annual Report.

Our Technology Platform

With our expertise as a leader in the PEGylation field, we have advanced our technology platform to include first-generation PEGylation as well as new advanced polymer conjugate chemistries that can be tailored in very specific and customized ways with the objective of optimizing and significantly improving the profile of a wide range of molecules including many classes of drugs useful in many disease areas. PEGylation has been a highly effective technology platform for the development of therapeutics with significant commercial success, such as Roche s PEGASYS® (PEG-interferon alfa-2a) and Amgen s Neulasta® (pegfilgrastim). The majority of PEGylated drugs approved over the last fourteen years were enabled with our PEGylation technology through our collaborations and licensing partnerships with a number of pharmaceutical companies. PEGylation is a versatile technology since PEG (polyethylene glycol) is a water soluble, amphiphilic, non-toxic, non-immunogenic compound that is safely cleared from the body. Its primary use to date has been in currently approved biologic drugs to favorably alter their pharmacokinetic or pharmacodynamic properties. However, in spite of its widespread success in commercial drugs, there are limitations with the first-generation PEGylation approaches used with biologics. Earlier PEGylation approaches were limited, in that they could not be used successfully to improve small molecule drugs, antibody fragments and peptides, all of which could potentially benefit from the application of the technology. Other limitations of the early approaches of PEGylation technology include resulting sub-optimal bioavailability and bioactivity, and its limited ability to be used to fine-tune properties of the drug, as well as its inability to be used to create oral drugs.

With our expertise and proprietary technology in PEGylation, we have created the next generation of PEGylation technology. Our advanced polymer conjugate technology platform is designed to overcome the limitations of the first generation of the technology platform and allow the platform to be utilized with a broader range of molecules across many therapeutic areas.

Both our PEGylation and advanced polymer conjugate technology platforms have the potential to offer one or more of the following benefits:

- improve efficacy or safety in certain instances as a result of better pharmacokinetics, pharmacodynamics, longer half-life and sustained exposure of the drug;

- improve targeting or binding affinity of a drug to its target receptors with the potential to improve efficacy and reduce toxicity or drug resistance;

improve solubility of a drug;

enable oral administration of parenterally-administered drugs, or drugs that must be administered intravenously or subcutaneously, and increase oral bioavailability of small molecules;

prevent drugs from crossing the blood-brain barrier, or reduce their rate of passage into the brain, limiting undesirable central nervous system effects;

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reduce first-pass metabolism effects of certain drug classes with the potential to improve efficacy, which could reduce the need for other medicines and reduce toxicity;

reduce the rates of drug absorption and of elimination or metabolism by improving stability of the drug in the body and providing it with more time to act on its target; and

reduce immune response to certain macromolecules with the potential to prolong their effectiveness with repeated doses.

We have a broad range of approaches that we may use when designing our own drug candidates, some of which are outlined below:

Small Molecule Stable Polymer Conjugates

Our customized approaches for small molecule polymer conjugates allows for the fine-tuning of the physicochemical and pharmacological properties of small molecule oral drugs to potentially increase their therapeutic benefit. In addition, this approach can enable oral administration of subcutaneously or intravenously delivered small molecule drugs that havelow bioavailability when delivered orally. The benefits of this approach can also include: improved potency, increased oral bioavailability, modified biodistribution with enhanced pharmacodynamics, and reduced transport across specific membrane barriers in the body, such as the blood-brain barrier. A primary example of the application of membrane transport inhibition, specifically reducing transport across the blood-brain barrier is NKTR-118 (oral PEG-naloxol), a novel peripheral opioid antagonist that completed Phase 2 clinical development in 2009. An example of a drug candidate that uses this approach to avoid first-pass metabolism is NKTR-140, a protease inhibitor in the early stages of discovery research.

Small Molecule Pro-Drug Releasable Polymer Conjugates

The pro-drug polymer conjugation approach can be used to optimize the pharmacokinetics and pharmacodynamics of a small molecule drug to substantially increase both its efficacy and side effect profile. We are currently using this platform with oncolytics, which typically have sub-optimal half-lives that can limit their therapeutic efficacy. With our technology platform, we believe that these drugs can be modulated for programmed release within the body, optimized bioactivity and increased sustained exposure of active drug to tumor cells in the body. We are using this approach with the two oncolytic candidates in our pipeline, NKTR-102, a topoisomerase I inhibitor-polymer conjugate currently in Phase 2 clinical development, and NKTR-105, a polymer conjugate form of docetaxel that is currently in Phase 1 clinical development.

Large Molecule Polymer Conjugates (Proteins and Peptides)

Our customized approaches with large molecule polymer conjugates have enabled numerous successful PEGylated biologics on the market today. We are using our advanced polymer conjugation technology-based approach to enable peptides, which are much smaller in size than other biologics, such as proteins and antibody fragments. We are in the early stages of discovery research with a number of peptides that utilize this proprietary approach. Peptides are important in modulating many physiological processes in the body. Some of the benefits of working with peptides are: they are small, more easily optimized, and can be rapidly investigated for therapeutic potential. However, peptide drug discovery has been slowed by the extremely short half-life and limited bioavailability of these molecules.

Based on our knowledge of the technology and biologics, our scientists have designed a novel hydrolyzable linker that can be used to optimize the bioactivity of a peptide. Through rational drug design and the use of our approach, a

peptide s pharmacokinetics and pharmacodynamics can be substantially improved and its half-life can be significantly extended. The approach can also be used with proteins and larger molecules.

Antibody Fragment Polymer Conjugates

This approach uses a large molecular weight polyethylene glycol (PEG) conjugated to antibody fragments in order to potentially improve their toxicity profile, extend their half-life and allow for ease of synthesis with the antibody. The specially designed PEG replaces the function of the Fc domain of full length antibodies with a

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branched architecture PEG with either stable or degradable linkage. This approach can be used to reduce antigenicity, reduce glomerular filtration rate, enhance uptake by inflamed tissues, and retain antigen-binding affinity and recognition. There is currently one approved product on the market that utilizes our technology with an antibody fragment, CIMZIA® (certoluzimab pegol), which was developed by our partner UCB Pharma and is approved for the treatment of Crohn s Disease in the U.S. and Rheumatoid Arthritis in the U.S. and Europe.

Our Strategy

The key elements of our business strategy are described below:

Advance Our Internal Clinical Pipeline of Drug Candidates that Leverage Our PEGylation and Advanced Polymer Conjugate Chemistry Platform

Our objective is to create value by advancing our lead drug candidates through various stages of clinical development. To support this strategy, over the past three years we have significantly expanded and added expertise to our internal clinical development and regulatory departments. A key component of our development strategy is to potentially reduce the risks and time associated with drug development by capitalizing on the known safety and efficacy of approved drugs as well as established pharmacologic targets and drugs directed to those targets. For many of our novel drug candidates, we may seek approval in indications for which the parent drugs have not been studied or approved. We believe that the improved characteristics of our drug candidates will provide meaningful benefit to patients compared to the existing therapies, and allow for approval to provide new treatments for patients for which the parent drugs are not currently approved.

Ensure Future Growth of our Pipeline through Internal Research Efforts and Advancement of our Preclinical Drug Candidates into Clinical Trials

We believe it is important to maintain a diverse pipeline of new drug candidates to continue to build on the value of our business. Our discovery research organization is identifying new drug candidates by applying our technology platform to a wide range of molecule classes, including small molecules and large proteins, peptides and antibodies, across multiple therapeutic areas. We continue to advance our most promising early research drug candidates into preclinical development with the objective to advance these early stage research programs to human clinical studies over the next several years.

Enter into Strategic and High-Value Partnerships to Bring Certain of Our Drug Candidates to Market

We decide on a product-by-product basis whether to continue development into Phase 3 pivotal clinical trials and commercialize products on our own, or seek a partner, or pursue a combination of these approaches. For example, in December 2010, we decided that we would move NKTR-102 into Phase 3 development prior to completing a collaboration for this drug candidate. When we determine to seek a partner, our strategy is to enter into collaborations with leading pharmaceutical and biotechnology companies to fund further clinical development, manage the global regulatory filing process, and market and sell drugs in one or more geographies. The options for future collaboration arrangements range from comprehensive licensing and commercialization arrangements to co-promotion and co-development agreements with the structure of the collaboration depending on factors such as the cost and complexity of development, marketing and commercialization needs, therapeutic area and geographic capabilities.

Continue to Build a Leading Intellectual Property Estate in the Field of PEGylation and Polymer Conjugate Chemistry across Therapeutic Modalities

We are committed to continuing to build on our intellectual property position in the field of PEGylation and polymer conjugate chemistry. To that end, we have a comprehensive patent strategy with the objective of developing a patent estate covering a wide range of novel inventions including among others, polymer materials, conjugates, formulations, synthesis, therapeutic areas and methods of treatment.

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Nektar Proprietary Internal Drug Candidates in Clinical Development

The following table summarizes our proprietary product candidate pipeline and Nektar-discovered drug candidates that are being developed by us or in partnerships with pharmaceutical companies. The table includes the type of molecule or drug, the target indications for the product or product candidate, and the clinical trial status of the program.

Drug Candidate/Program	Target Indications	Status(1)
NKTR-118 (oral PEG-naloxol)	Opioid-induced constipation	Completed Phase 2 (Partnered with AstraZeneca AB)
BAY41-6551 (Amikacin Inhale, formerly NKTR-061)	Gram-negative pneumonias	Completed Phase 2 (Partnered with Bayer Healthcare LLC)*
NKTR-102 (topoisomerase I inhibitor-polymer conjugate)	Metastatic breast cancer	Phase 2
NKTR-102	Platinum-resistant/refractory ovarian cancer	Phase 2
NKTR-102	Second-line colorectal cancer in patients with the KRAS gene mutation	Phase 2
NKTR-105 (PEGylated docetaxel)	Solid tumors	Phase 1
NKTR-119 (Opioid/NKTR-118 combinations)	Pain	Research/Preclinical (Partnered with AstraZeneca AB)
NKTR-181 (abuse deterrent, tamper-resistant opioid)	Pain	Research/Preclinical
NKTR-194 (non-scheduled opioid)	Mild to moderate pain	Research/Preclinical
NKTR-171 (tricyclic antidepressant)	Neuropathic pain	Research/Preclinical
NKTR-140 (protease inhibitor candidate)	HIV	Research/Preclinical

(1) Status definitions are:

Phase 3 or Pivotal product in large-scale clinical trials conducted to obtain regulatory approval to market and sell the drug (these trials are typically initiated following encouraging Phase 2 trial results).

Phase 2 product in clinical trials to establish dosing and efficacy in patients.

Phase 1 product in clinical trials, typically in healthy subjects, to test safety. In the case of oncology drug candidates, Phase 1 clinical trials are typically conducted in cancer patients.

Research/Preclinical product is being studied in research by way of in-vitro studies and/or animal studies.

* This product candidate uses a liquid aerosol technology platform that was transferred to Novartis in the pulmonary asset sale transaction that was completed on December 31, 2008. As part of that transaction, we retained an exclusive license to this technology for the development and commercialization of this drug candidate originally developed by us.

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Approved Drugs and Drug Candidates Enabled By Our Technology through Licensing Collaborations

The following table outlines our collaborations with a number of pharmaceutical companies that license our technology, including Amgen, Merck (formerly Schering-Plough), Baxter, UCB Pharma and F. Hoffmann-La Roche. A total of seven products using our PEGylation technology have received regulatory approval in the U.S. or Europe. There are also a number of other candidates that have been filed for approval or are in various stages of clinical development. These collaborations generally contain one or more elements including license rights to our proprietary technology, manufacturing and supply agreements under which we may receive manufacturing revenue, milestone payments, and/or product royalties on commercial sales.

Drug	Primary or Target Indications	Drug Marketer/Partner	Status(1)
Neulasta® (pegfilgrastim)	Neutropenia	Amgen Inc.	Approved
PEGASYS® (peginterferon alfa-2a)	Hepatitis-C	F. Hoffmann-La Roche Ltd	Approved
Somavert® (pegvisomant)	Acromegaly	Pfizer Inc.	Approved
PEG-INTRON® (peginterferon alfa-2b)	Hepatitis-C	Merck (formerly Schering-Plough Corporation)	Approved
Macugen® (pegaptanib sodium injection)	Age-related macular degeneration	Eyetech, Inc.	Approved
CIMZIA® (certolizumab pegol)	Crohn s disease	UCB Pharma	Approved in U.S. and Switzerland
MIRCERA® (C.E.R.A.) (Continuous Erythropoietin Receptor Activator)	Anemia associated with chronic kidney disease in patients on dialysis and patients not on dialysis	F. Hoffmann-La Roche Ltd	Approved in U.S. and EU (Launched only in the EU)*
CIMZIA® (certolizumab pegol)	Rheumatoid arthritis	UCB Pharma	Approved in U.S. and EU
Hematide™ (synthetic peptide-based, erythropoiesis- stimulating agent)	Anemia	Affymax, Inc.	Phase 3
Levadex™	Migraine	MAP Pharmaceuticals	Phase 3
Cipro Inhale	Cystic fibrosis lung infections	Bayer Schering Pharma AG	Phase 2**
CIMZIA® (certoluzimab pegol)	Psoriasis	UCB Pharma	Phase 2
BAX-855 (pegylated rFVIII)	Hemophilia A	Baxter	Research/Preclinical
Longer-acting blood clotting proteins	Hemophilia	Baxter	Research/Preclinical

(1) Status definitions are:

Approved regulatory approval to market and sell product obtained in the U.S., EU and other countries.

Filed products for which a New Drug Application (NDA) or Biologics License Application (BLA) has been filed.

Phase 3 or Pivotal product in large-scale clinical trials conducted to obtain regulatory approval to market and sell the drug (these trials are typically initiated following encouraging Phase 2 trial results).

Phase 2 product in clinical trials to establish dosing and efficacy in patients.

Phase 1 product in clinical trials, typically in healthy subjects, to test safety.

Research/Preclinical product is being studied in research by way of vitro studies and/or animal studies

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* Amgen Inc. prevailed in a patent lawsuit against F. Hoffmann-La Roche Ltd and as a result of this legal ruling Roche is currently prevented from marketing MIRCERA® in the U.S until July 2014.

** This product candidate was developed using our proprietary pulmonary delivery technology that was transferred to Novartis in an asset sale transaction that closed on December 31, 2008. As part of the transaction, Novartis assumed our rights and obligations for our Cipro Inhale agreements with Bayer Schering Pharma AG; however, we maintained the rights to receive certain royalties on commercial sales of Cipro Inhale if the product candidate is approved.

With respect to all of our collaboration and license agreements with third parties, please refer to Item 1A, Risk Factors, including without limitation, 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.

Overview of Selected Nektar Proprietary Drug Development Programs and Significant Partnered Drug Development Programs

NKTR-118 and NKTR-119, License Agreement with AstraZeneca AB

In September 2009, we entered into a global license agreement with AstraZeneca AB pursuant to which we granted AstraZeneca a worldwide, exclusive, perpetual, royalty-bearing license under our patents and other intellectual property to develop, market and sell NKTR-118 and NKTR-119. Under the terms of this agreement, AstraZeneca made a license payment to us of $125.0 million and AstraZeneca has responsibility for all activities and bear all costs associated with research, development and commercialization for NKTR-118 and NKTR-119. For NKTR-118 and NKTR-119, we are eligible to receive significant development milestones and significant sales milestones if the products achieve certain annual commercial sales levels. For both NKTR-118 and NKTR-119, we are also entitled to significant double-digit royalty payments, varying by country of sale and annual net sales. Our right to receive royalties (subject to certain adjustments) in any particular country will expire upon the later of (a) specified period of time after the first commercial sale of the product in that country or (b) the expiration of patent rights in that particular country.

NKTR-118 (oral PEG-naloxol), which combines our stable polymer conjugate technology with naloxol, a derivative of the opioid-antagonist drug naloxone, completed Phase 2 development in 2009. NKTR-118 is designed for the treatment of opioid-induced constipation or opioid bowel dysfunction. Results from the Phase 2 clinical study were presented in October 2009 at an oral plenary session of the American College of Gastroenterology 2009 Annual Clinical Meeting. The data presented from the Phase 2 study showed that NKTR-118 achieved the primary endpoint of change from baseline in spontaneous bowel movements in patients taking opiates. The study also showed there was no apparent reversal of opioid-mediated analgesia with any of the NKTR-118 dose groups, as measured by no change in Numeric Rating Scale (NRS) pain scores and no increase in mean daily opiate use. The most commonly reported side effects from this Phase 2 clinical study of NKTR-118 were dose dependent gastrointestinal-related effects. AstraZeneca has informed us that they intend to start the Phase 3 clinical study for NKTR-118 in the first quarter of 2011.

NKTR-119 is an early stage drug development program that is intended to combine NKTR-118 with selected opioids, with the goal of treating pain without the side effect of constipation traditionally associated with opioid therapy. AstraZeneca has agreed to use commercially reasonable efforts to develop one product based on NKTR-119 and has the right to develop multiple products based on NKTR-119.

According to the American Pain Society and IMS Health, over 200 million opioid prescriptions are filled in the U.S. annually with annual worldwide sales of opioids exceeding $10 billion. Depending on the population studied and the definitions used, constipation occurs in up to 90% of patients taking opioids. Currently, there are no specific oral drugs approved or specifically indicated to treat opioid induced constipation or opioid bowel dysfunction.

BAY41-6551 (Amikacin Inhale, formerly NKTR-061), Agreement with Bayer Healthcare LLC

In August 2007, we entered into a co-development, license and co-promotion agreement with Bayer Healthcare LLC (Bayer) to develop a specially-formulated Amikacin (BAY41-6551, Amikacin Inhale, formerly

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NKTR-061). Under the terms of the agreement, Bayer is responsible for most future clinical development and commercialization costs, all activities to support worldwide regulatory filings, approvals and related activities, further development of formulated Amikacin and final product packaging for BAY41-6551. We are responsible for all future development of the nebulizer device used in BAY41-6551 through the completion of Phase 3 clinical trials and for clinical and commercial manufacturing and supply of the nebulizer device. We have engaged third party contract manufacturers to perform our device manufacturing obligations for this program. Under the terms of the agreement, we are entitled to development and sales milestone payments upon achievement of certain annual sales targets. We are also entitled to royalties based on annual worldwide net sales of BAY41-6551. Our right to receive these royalties in any particular country will expire upon the later of ten years after the first commercial sale of the product in that country or the expiration of certain patent rights in that particular country, subject to certain exceptions. The agreement expires in relation to a particular country upon the expiration of all royalty and payment obligations between the parties related to such country. Subject to termination fee payment obligations, Bayer also has the right to terminate the agreement for convenience. In addition, the agreement may also be terminated by either party for certain product safety concerns, the product s failure to meet certain minimum commercial profile requirements or uncured material breaches by the other party. For certain Bayer terminations, we may have reimbursement obligations to Bayer.

BAY41-6551 is in clinical development to treat Gram-negative pneumonias, including Hospital-Acquired (HAP), Healthcare-Associated, and Ventilator-Associated pneumonias. Gram-negative pneumonias are often the result of complications of other patient conditions or surgeries. Gram-negative pneumonia carries a mortality risk that can exceed 50% in mechanically-ventilated patients and accounts for a substantial proportion of the pneumonias in intensive care units today. BAY41-6551 is designed to be an adjunctive therapy to the current antibiotic therapies administered intravenously as standard of care. The targeted aerosol delivery platform in BAY41-6551 delivers the antimicrobial agent directly to the site of infection in the lungs. This product candidate can be integrated with conventional mechanical ventilators or used as a hand-held off-vent device for patients no longer requiring breathing assistance. This product candidate has completed Phase 2 clinical development.

Bayer and Nektar have been working together to prepare for the pivotal studies of BAY41-6551 following the consummation of the collaboration in August 2007. The program is behind schedule. The reason for this is that Bayer and Nektar decided to finalize the design of the device for commercial manufacturing prior to initiating Phase 3 clinical development with the objective of commencing Phase 3 clinical trials as soon as possible following completion of this work. Please refer to Item 1A, Risk Factors, If we or our partners are not able to manufacture drugs or drug substances in quantities and at costs that are commercially feasible, we may fail to meet our contractual obligations or our proprietary and partnered product candidates may experience clinical delays or constrained commercial supply which could significantly harm our business.

NKTR-102 (topoisomerase I inhibitor-polymer conjugate)

We are developing NKTR-102, a novel topoisomerase I inhibitor-polymer conjugate that was designed using our advanced polymer conjugate technology platform. This product candidate is currently in Phase 2 clinical development in multiple cancer indications including breast, ovarian, and colorectal. By applying our proprietary pro-drug polymer conjugate technology to irinotecan, NKTR-102 has the potential to be a more effective and tolerable anti-tumor agent. Irinotecan, also known as Camptosar®, is a topoisomerase I inhibitor used for the treatment of solid tumors. Using a proprietary approach that directly conjugates the drug to a multi-arm polymer architecture to create a new molecular entity, NKTR-102 has a unique pharmacokinetic and pharmacodynamic profile that has demonstrated anti-tumor activity in patients in clinical trials conducted to date by us.

The NKTR-102 Phase 2 study in metastatic breast cancer patients is an open label, randomized, study evaluating two treatment schedules of single-agent NKTR-102 (145 mg/m2 every 14 days or every 21 days). Patients enrolled in the

study included those with metastatic breast cancer with prior taxane therapy. The study s primary endpoint is objective response rate (ORR) per RECIST 1.0 (standard criteria measuring tumor response) with certain secondary endpoints including safety, as well as progression-free survival and overall survival. The study was fully enrolled as of April 2010; however there are patients who continue to be monitored in the Phase 2 trial and therefore we do not expect to have final results until late 2011 or later depending upon patient outcomes.

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We have begun the planning of a comparative Phase 3 clinical study for single-agent NKTR-102 in metastatic breast cancer patients and plan to start this study in late 2011.

Breast cancer is a significant health problem for women worldwide. The American Cancer Society estimated that about 207,090 new cases of invasive breast cancer were diagnosed and nearly 39,840 women died of breast cancer in the United States in 2010. Breast cancer is the most common cancer among women in the United States, other than skin cancer. It is the second leading cause of cancer death in women, after lung cancer. Worldwide, about 1.3 million new cases of breast cancer are diagnosed annually.

The NKTR-102 Phase 2 study in women with platinum-resistant/refractory ovarian cancer is an open label, randomized, study evaluating two treatment schedules of single-agent NKTR-102 (145 mg/m2 every 14 days or every 21 days). Each schedule originally followed a two-stage Simon design and a total of 71 patients were initially enrolled and dosed. Median lines of prior therapy for women enrolled into the original study was three, with forty-seven percent of the women having received prior treatment with pegylated liposomal doxorubicin (PLD). The primary endpoint of the study was ORR based on RECIST 1.0. Secondary endpoints in the study included best clinical response, clinical benefit, CA-125 response (a known ovarian cancer blood marker) safety, progression-free survival and overall survival. In 2010, we announced that we are expanding this Phase 2 study to include approximately 50 additional women who had previously received PLD therapy to continue to evaluate the every 21-day dose schedule of single-agent NKTR-102 in this subset of women. On March 1, 2011, we announced that we intended to further expand this Phase 2 clinical study by approximately 60 patients. This expansion study is designed to give us the potential to determine whether we would make an early submission of an NDA to the Food and Drug Administration (FDA) for NKTR-102. The determination of whether to submit an NDA will depend on our analysis of results from the study overall including the expanded dataset in the subset of women who had received prior PLD therapy as well as FDA requirements at that time and any guidance received by us from the FDA. We are evaluating various randomized controlled clinical study designs to further develop NKTR-102 in patients with ovarian cancer. Please refer to Item 1A, Risk Factors, The results from the expanded Phase 2 clinical trial for NKTR-102 in women with platinum-resistant/refractory ovarian cancer are unlikely to result in a review or approval of an NDA, and the future results from this trial are difficult to predict.

Ovarian cancer is also a significant health problem for women worldwide. According to the American Cancer Society, in 2010, there were an estimated 21,880 new cases of ovarian cancer diagnosed and an estimated 13,850 deaths from ovarian cancer in the United States. Ovarian cancer ranks fifth in cancer deaths among women, accounting for more deaths than any other cancer of the female reproductive system. Historically, less than 40% of women with ovarian cancer are cured. About 230,000 women globally are diagnosed each year with ovarian cancer.

A NKTR-102 Phase 2 clinical study was initiated in early 2009 to evaluate the efficacy and safety of NKTR-102 monotherapy versus irinotecan in second-line colorectal cancer patients with the KRAS mutant gene. The primary endpoint of the Phase 2 placebo-controlled trial of NKTR-102 in colorectal cancer is progression-free survival as compared to standard irinotecan monotherapy. According to recent data presented at the American Society of Clinical Oncology in 2010, it is estimated that up to 43.5% of colorectal cancer cases have this mutation in the KRAS gene and do not respond to EGFR-inhibitors, such as cetuximab. The Phase 2 clinical study is designed to enroll 174 patients with metastatic colorectal cancer. The study is still enrolling and we do not currently have an estimate for the projected end of this trial. Patient enrollment in this study has been challenging due to the fact that the comparator arm of this study, single-agent irinotecan, is not the common standard of care for second line metastatic colorectal therapy in the United States or European Union. In June 2010, we announced the start of a Phase 1 dose-escalation clinical study designed to enroll up to approximately 40 patients to evaluate NKTR-102 in combination with 5-fluorouracil (5-FU)/leucovorin in refractory solid tumor cancers. The chemotherapy agent 5-FU is currently used as a part of a combination treatment regimen for colorectal cancer in combination with irinotecan, which is also known as the FOLFIRI regimen.

Colorectal cancer is the third most commonly diagnosed cancer and the second leading cause of cancer death in the U.S. According to the American Cancer Society, nearly 142,750 new cases of colon and rectal cancer were diagnosed in the U.S. in 2010, and about 50,000 people will die annually of the disease. Worldwide, over 1.2 million people are diagnosed annually with colorectal cancer. Most metastatic colorectal cancer patients have recurrence within two years and require retreatment with chemotherapy regimens. The majority of metastatic colorectal cancer

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patients receive irinotecan-based regimens, primarily in combination with 5-FU/leucovorin. Colorectal cancer is the third leading cause of cancer-related deaths in the United States when men and women are considered separately, and the second leading cause when both sexes are combined. It was expected to cause about 51,370 deaths (26,580 in men and 24,790 in women) during 2010 in the U.S. Worldwide, according to the World Health Organization, there are 690,000 deaths annually from colorectal cancers.

NKTR-105 (PEGylated docetaxel)

NKTR-105 is a PEGylated conjugate form of docetaxel, an anti-neoplastic agent belonging to the taxoid family that acts by disrupting the microtubular network in cells. Docetaxel is a major chemotherapy agent approved for use in five different cancer indications: breast, non-small cell lung, prostate, gastric, and head and neck. Annual sales of docetaxel exceeded $2 billion in 2009. Anti-cancer agents, such as docetaxel, typically have suboptimal pharmacokinetic profiles which can limit their therapeutic value. Docetaxel frequently causes neutropenia. Patients are advised that the treatment with corticosteroids is required in conjunction with docetaxel dosing and some neutropenia patients require pre-treatment with corticosterioids. Our advanced polymer conjugation technology can be used to optimize the bioactivity of these drugs and increase the sustained exposure of active drug to tumor cells in the body.

NKTR-105 is currently being evaluated in a Phase 1 clinical trial in cancer patients. The study is assessing the safety, pharmacokinetics, and anti-tumor activity of NKTR-105 in patients with refractory solid tumors who have failed all prior available therapies. We do not intend to advance NKTR-105 into a Phase 2 clinical trial in 2011.

NKTR-181 (abuse deterrent, tamper-resistant opioid)

NKTR-181 is being developed as a safer, mu opioid analgesic with reduced potential for abuse and fewer side effects than traditional opioid therapies. The drug candidate was engineered to cross the blood-brain barrier at a substantially slower rate than the reference opioid. With a reduced rate of entry into the CNS, NKTR-181 has the potential to substantially reduce not only the euphoria that underlies opioid abuse liability and dependence but also the serious CNS-related side effects of respiratory depression and sedation. We filed an Investigational New Drug application (IND) with the FDA and plan to begin Phase 1 clinical studies in the first part of 2011. The IND is currently under review by the FDA and until the 30-day review period has elapsed, there is the possibility that the start of the Phase 1 clinical study may be delayed until any and all issues raised by the FDA have been addressed in a satisfactory manner.

According to the American Pain Society, the prevalence of chronic pain in the United States is estimated to be 35.5% of the population or 105 million people. Chronic pain costs more than $100 billion per year in direct health-care expenditures and lost work time. Opioids are considered to be the most effective therapeutic option for pain and have over $10 billion a year in sales in the U.S. alone according to IMS Health. However, opioids cause significant problems for physicians and patients because of their serious side effects such as respiratory depression and sedation, as well as the risks they pose for addiction, abuse, misuse, and diversion. The FDA has cited prescription opioid analgesics as being at the center of a major public health crisis of addiction, misuse, abuse, overdose and death. A 2010 recent report from the Center for Disease Control and Prevention (CDC) notes that emergency room visits tied to the abuse of prescription painkillers is at an all-time high, having increased 111% over a five-year period.

Overview of Select Technology Licensing Collaborations and Programs

We have a number of product candidates in clinical development and approved products in collaboration with our partners that use our technology or involve rights over which we have patents or other proprietary intellectual property. In a typical collaboration involving our PEGylation technology, we license our proprietary intellectual property related to our PEGylation technology or proprietary conjugated drug molecules in consideration for upfront payments, development milestone payments and royalties from sales of the resulting commercial product as well as

sales milestones. In certain cases, we also manufacture and supply our proprietary PEGylation materials to our partners.

Hematide™*, *Agreement with Affymax, Inc.

In April 2004, we entered into a license, manufacturing and supply agreement with Affymax, Inc. (Affymax), under which we granted Affymax a worldwide, non-exclusive license to certain of our proprietary PEGylation

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technology to develop, manufacture and commercialize Hematide. We currently manufacture our proprietary PEGylation materials for Affymax on a fixed price basis subject to annual adjustments. Affymax has an option to convert this manufacturing pricing arrangement to cost plus at any time prior to the date the NDA for Hematide is submitted to the FDA. In addition, Affymax is responsible for all clinical development, regulatory and commercialization expenses and we are entitled to development milestones and royalties on net sales of Hematide. We will share a portion of our future royalty payments with Enzon Pharmaceuticals, Inc. Our right to receive royalties in any particular country will expire upon the later of ten years after the first commercial sale of the product in that country or the expiration of patent rights in that particular country. The agreement expires on a country-by-country basis upon the expiration of Affymax s royalty obligations. The agreement may also be terminated by either party for the other party s continued material breach after a cure period or by us in the event that Affymax challenges the validity or enforceability of any patent licensed to them under the agreement.

LEVADEX*tm, *Agreement with MAP Pharmaceuticals

In June 2004, we entered into a license agreement with MAP Pharmaceuticals which includes a worldwide, exclusive license, to certain of our patents and other intellectual property rights to develop and commercialize a formulation of dihydroergotamine for administration to patients via the pulmonary or nasal delivery route. Under the terms of the agreement, we have the right to receive certain development milestone payments and royalties based on net sales of LEVADEX. Our right to receive royalties in any particular country will expire upon the later of (i) ten years after first