UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

☑ **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 ☑ 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 ☑

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 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. ☑

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 ☑	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 in Exchange Act Rule 12b-2) Yes o No ☑

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 "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 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.

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

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;

- 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

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.

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.

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

* 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

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.

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

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

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™, 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 commercial sale in that country, (ii) the date upon which the licensed know-how becomes known to the general public, and (iii) expiration of certain patent claims, each on a country-by-country basis. Either party may terminate the agreement upon a material, uncured default of the other party.

Hemophilia Programs, Agreement with Subsidiaries of Baxter International (including BAX-855)

In September 2005, we entered into an exclusive research, development, license and manufacturing and supply agreement with Baxter Healthcare SA and Baxter Healthcare Corporation (Baxter) to develop products with an extended half-life for the treatment and prophylaxis of Hemophilia A patients using our PEGylation technology. In December 2007, we expanded our agreement with Baxter to include the license of our PEGylation technology and proprietary PEGylation methods with the potential to improve the half-life of any future products Baxter may develop for the treatment and prophylaxis of Hemophilia B patients. Under the terms of the agreement, we are entitled to research and development funding, and we manufacture our proprietary PEGylation materials for Baxter on a cost plus basis. Baxter is responsible for all clinical development, regulatory, and commercialization expenses. In relation to Hemophilia A, we are entitled to development milestone payments and royalties on net sales varying by product and country of sale. 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 patent rights in certain designated countries or in that particular country. In relation to Hemophilia B, we are entitled to development and sales milestone payments and royalties on net sales varying by product and country of sale. Our right to receive these royalties in any particular country will expire upon the later of twelve years after the first commercial sale of the product in that country or the expiration of patent rights in certain designated countries or in that particular country. The agreement expires in relation to a particular product and country upon the expiration of all of Baxter's royalty obligations related to such product and country. The agreement may also be terminated by either party for the other party's material breach or insolvency, provided that such other party has been given a chance to cure or remedy such breach or insolvency. Subject to certain limitations as to time, and possible termination fee payment obligations, Baxter also has the right to terminate the agreement for convenience. We have the right to terminate the agreement or convert Baxter's license from exclusive to non-exclusive in the event Baxter fails to comply with certain diligence obligations.

Cipro Inhale, Agreement with Bayer Schering Pharma AG Assigned to Novartis as of December 31, 2008

We were a party to a collaborative research, development and commercialization agreement with Bayer Schering Pharma AG related to the development of an inhaled powder formulation of Ciprofloxacin for the treatment of chronic lung infections caused by *Pseudomonas aeruginosa* in cystic fibrosis patients. As of December 31, 2008, we assigned the agreement to Novartis Pharma AG in connection with the closing of the

pulmonary asset sale transaction. We maintain the right to receive certain potential royalties in the future based on net product sales if Cipro Inhale receives regulatory approval and is successfully commercialized.

Overview of Select Licensing Partnerships for Approved Products

Neulasta®, Agreement with Amgen, Inc.

In July 1995, we entered into a non-exclusive supply and license agreement (1995 Agreement) with Amgen, Inc., pursuant to which we license our proprietary PEGylation technology to be used in the development and manufacture of Neulasta. Neulasta selectively stimulates the production of neutrophils that are depleted by cytotoxic chemotherapy, a condition called neutropenia that makes it more difficult for the body to fight infections. On October 29, 2010, we amended and restated the 1995 Agreement by entering into a supply, dedicated suite and manufacturing guarantee agreement (2010 Agreement) and an amended and restated license agreement with Amgen Inc. and Amgen Manufacturing., Limited (together referred to as Amgen). Under the terms of the 2010 Agreement, we guarantee the manufacture and supply of our proprietary PEGylation materials (Polymer Materials) to Amgen in an existing manufacturing suite to be used exclusively for the manufacture of Polymer Materials for Amgen in our manufacturing facility in Huntsville, Alabama. This supply arrangement is on a non-exclusive basis (other than the use of the manufacturing suite and certain equipment) whereby we are free to manufacture and supply the Polymer Materials to any other third party and Amgen is free to procure the Polymer Materials from any other third party. Under the terms of the 2010 Agreement, we received a $50.0 million upfront payment in 2010 in return for guaranteeing supply of certain quantities of Polymer Materials to Amgen and the Additional Rights described below, and Amgen will pay manufacturing fees calculated based on fixed and variable components applicable to the Polymer Materials ordered by Amgen and delivered by us. Amgen has no minimum purchase commitments. If quantities of the Polymer Materials ordered by Amgen exceed specified quantities (with each specified quantity representing a small portion of the quantity that we historically supplied to Amgen), significant additional payments become payable to us in return for guaranteeing supply of additional quantities of the Polymer Materials.

The term of the Agreement runs through October 29, 2020. In the event we become subject to a bankruptcy or insolvency proceeding, we cease to own or control the manufacturing facility in Huntsville, Alabama, we fail to manufacture and supply the Polymer Materials or certain other events occur, Amgen or its designated third party will have the right to elect, among certain other options, to take title to the dedicated equipment and access the manufacturing facility to operate the manufacturing suite solely for the purpose of manufacturing the Polymer Materials (Additional Rights). Amgen may terminate the 2010 Agreement for convenience or due to an uncured material default by us. Either party may terminate the 2010 Agreement in the event of insolvency or bankruptcy of the other party.

PEGASYS®, Agreement with F. Hoffmann-La Roche Ltd

In February 1997, we entered into a license, manufacturing and supply agreement with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (Roche), under which we granted Roche a worldwide, exclusive license to use certain PEGylation materials to manufacture and commercialize a certain class of products, of which PEGASYS is the only product currently commercialized. PEGASYS is approved in the U.S., E.U. and other countries for the treatment of Hepatitis C and is designed to help the patient's immune system fight the Hepatitis C virus. As a result of Roche exercising a license extension option in December 2009, beginning in 2010 Roche has the right to manufacture all of its requirements for our proprietary PEGylation materials for PEGASYS and we supply raw materials or perform additional manufacturing, if any, only on a back-up basis. The agreement expires on the later of January 10, 2015 or the expiration of our last relevant patent containing a valid claim.

Somavert®, Agreement with Pfizer, Inc.

In January 2000, we entered into a license, manufacturing and supply agreement with Sensus Drug Development Corporation (subsequently acquired by Pharmacia Corp. in 2001 and then acquired by Pfizer, Inc. in 2003), for the PEGylation of Somavert (pegvisomant), a human growth hormone receptor antagonist for the treatment of acromegaly. We currently manufacture our proprietary PEGylation reagent for Pfizer on a price per gram basis. The agreement expires on the later of ten years from the grant of first marketing authorization in the designated territory, which occurred in March 2003, or the expiration of our last relevant patent containing a valid claim. In addition,

Pfizer may terminate the agreement if marketing authorization is withdrawn or marketing is no longer feasible due to certain circumstances, and either party may terminate for cause if certain conditions are met.

PEG-Intron®, Agreement with Merck (through its acquisition of Schering-Plough Corporation)

In February 2000, we entered into a manufacturing and supply agreement with Schering-Plough Corporation (Schering) for the manufacture and supply of our proprietary PEGylation materials to be used by Schering in production of a pegylated recombinant human interferon-alpha (PEG-Intron). PEG-Intron is a treatment for patients with Hepatitis C. Schering was acquired by and become a wholly-owned subsidiary of Merck & Co., Inc. We currently manufacture our proprietary PEGylation materials for Schering on a price per gram basis. In December 2010, the parties amended the manufacturing and supply agreement to provide for a transition plan to an alternative manufacturer and extension of the term through the successful manufacturing transition or December 31, 2018 at the latest. The amended agreement provided for a one-time payment and milestone payments as well as increased consideration for any future manufacturing performed by us.

Macugen®, Agreement with Eyetech, Inc.

In 2002, we entered into a license, manufacturing and supply agreement with Eyetech, Inc. (Eyetech), pursuant to which we license our proprietary PEGylation technology for the development and commercialization of Macugen®, a PEGylated anti-vascular endothelial growth factor aptamer currently approved in the U.S. and E.U. for use in treating age-related macular degeneration. We currently manufacture our proprietary PEGylation materials for Eyetech on a price per gram basis. Under the terms of the agreement, we will receive royalties on net product sales in any particular country for the longer of ten years from the date of the first commercial sale of the product in that country or the duration of patent coverage. We share a portion of the payments received under this agreement with Enzon Pharmaceuticals, Inc. The agreement expires upon the expiration of our last relevant patent containing a valid claim. In addition, Eyetech may terminate the agreement if marketing authorization is withdrawn or marketing is no longer feasible due to certain circumstances, and either party may terminate for cause if certain conditions are met.

CIMZIA®, Agreement with UCB Pharma

In December 2000, we entered into a license, manufacturing and supply agreement for CIMZIA® (certolizumab pegol, CDP870) with Celltech Chiroscience Ltd., which was acquired by UCB Pharma (UCB) in 2004. Under the terms of the agreement, UCB is responsible for all clinical development, regulatory, and commercialization expenses. We have the right to receive manufacturing revenue on a cost-plus basis and royalties on net product sales. We are entitled to receive royalties on net sales of the CIMZIA® product in any particular country for the longer of ten years from the first commercial sale of the product in that country or the expiration of patent rights in that particular country. We share a portion of the payments we receive from UCB with Enzon Pharmaceuticals, Inc. CIMZIA® is currently approved in the treatment of Crohn's Disease in the U.S and the treatment of rheumatoid arthritis in the EU. UCB is also conducting Phase 2 clinical trials on CIMZIA® for psoriasis. The agreement expires upon the expiration of all of UCB's royalty obligations, provided that the agreement can be extended for successive two year renewal periods upon mutual agreement of the parties. In addition, UCB may terminate the agreement should it cease the development and marketing of CIMZIA® and either party may terminate for cause under certain conditions.

MIRCERA® (C.E.R.A.) (Continuous Erythropoietin Receptor Activator), Agreement with F. Hoffmann-La Roche Ltd

In December 2000, we entered into a license, manufacturing and supply agreement with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (Roche), which was amended and restated in its entirety in December 2005. Pursuant to the agreement, we license our proprietary PEGylation materials for use in the development and manufacture of Roche's MIRCERA® product. MIRCERA® is a novel continuous erythropoietin receptor activator indicated for the treatment of anemia associated with chronic kidney disease in patients on dialysis and patients not on dialysis. We are entitled to receive royalties on net sales of the MIRCERA® product in any particular country for the longer of ten years from the first commercial sale of the product in that country or the expiration of patent rights

in that particular country. The agreement expires upon the expiration of all of Roche's royalty obligations, unless earlier terminated by Roche for convenience or by either party for cause under certain conditions.

In May 2007, MIRCERA® was approved in the EU and the product was subsequently launched by Roche in the EU in August of 2007. In November 2007, the FDA approved Roche's Biologics License Application (BLA) for MIRCERA® but the product has not been launched in the U.S. as a result of patent-related issues. In October 2008, a federal district court ruled in favor of Amgen Inc. in a patent infringement lawsuit involving MIRCERA® and issued a permanent injunction which prevents Roche from marketing or selling MIRCERA® in the U.S. even though the FDA approved MIRCERA®. In December 2009, the U.S. District Court for the District of Massachusetts entered a final judgment and permanent injunction and Roche and Amgen entered into a settlement and limited license agreement which allows Roche to begin selling MIRCERA® in the U.S. in July 2014.

Significant Developments in our Business that Occurred in 2008

Exit from the Inhaled Insulin Programs

In 1995, we entered into a collaborative development and licensing agreement with Pfizer to develop and market Exubera® and, in 2006 and 2007, we entered into a series of interim letter agreements with Pfizer to develop a next generation form of dry powder inhaled insulin and proprietary inhaler device, also known as NGI. In January 2006, Exubera received marketing approval in the U.S. and EU for the treatment of adults with Type 1 and Type 2 diabetes. Under the collaborative development and licensing agreement, Pfizer had sole responsibility for marketing and selling Exubera. We performed all of the manufacturing of the Exubera dry powder insulin, and we supplied Pfizer with the Exubera inhalers through third party contract manufacturers (Bespak Europe Ltd. and Tech Group North America, Inc.). We recorded no revenue from Pfizer related to these activities for the years ended December 31, 2010, 2009, and 2008.

On October 18, 2007, Pfizer announced that it was exiting the Exubera business and gave notice of termination under our collaborative development and licensing agreement. On November 9, 2007, we entered into a termination agreement and mutual release with Pfizer. Under this agreement we received a one-time payment of $135.0 million in November 2007 from Pfizer in satisfaction of all outstanding contractual obligations under our then-existing agreements relating to Exubera and NGI. All agreements between Pfizer and us related to Exubera and NGI, other than the termination agreement and mutual release and a related interim Exubera manufacturing maintenance letter, terminated on November 9, 2007. In February 2008, we entered into a termination agreement with Bespak and Tech Group pursuant to which we paid an aggregate of $40.2 million in satisfaction of outstanding accounts payable and termination costs and expenses that were due under the Exubera inhaler contract manufacturing agreement. We also entered into a maintenance agreement with both Pfizer and Tech Group to preserve key personnel and manufacturing capacity to support potential future Exubera inhaler manufacturing if we found a new partner for the inhaled insulin program.

On April 9, 2008, we announced that we had ceased all negotiations with potential partners for Exubera and NGI as a result of new data analysis from ongoing clinical trials conducted by Pfizer which indicated an increase in the number of new cases of lung cancer in Exubera patients who were former smokers as compared to patients in the control group who were not former smokers. In April 2008, we ceased all spending associated with maintaining Exubera manufacturing capacity and any further NGI development, including, but not limited to, terminating the Exubera manufacturing capacity maintenance arrangements with Pfizer and Tech Group.

Asset Sale to Novartis

On December 31, 2008, we completed the sale of certain assets related to our pulmonary business, associated technology and intellectual property to Novartis Pharma AG and Novartis Pharmaceuticals Corporation (together referred to as Novartis) for a purchase price of $115.0 million in cash (Novartis Pulmonary Asset Sale). Under the terms of the transaction, we transferred to Novartis certain assets and obligations related to our pulmonary technology, development and manufacturing operations including:

- dry powder and liquid pulmonary technology platform including but not limited to our pulmonary inhalation devices, formulation technology, manufacturing technology and related intellectual property;

- capital equipment, information systems and facility lease obligations for our pulmonary development and manufacturing facility in San Carlos, California;
- manufacturing and associated development services payments for the Cipro Inhale program;
- manufacturing and royalty rights to the Tobramycin Inhalation Powder (TIP) program through the termination of our collaboration agreement with Novartis;
- certain other interests that we had in two private companies; and
- approximately 140 of our personnel primarily dedicated to our pulmonary technology, development programs, and manufacturing operations.

In addition, we retained all of our rights to BAY41-6551, partnered with Bayer Healthcare LLC, certain royalty rights for the Cipro Inhale development program partnered with Bayer Schering Pharma AG, and certain intellectual property rights specific to inhaled insulin.

In connection with the Novartis Pulmonary Asset Sale, we also entered into an Exclusive License Agreement with Novartis Pharma. Pursuant to the Exclusive License Agreement, Novartis Pharma granted back to us an exclusive, irrevocable, perpetual, non-transferable, royalty-free and worldwide license under certain specific patent rights and other related intellectual property rights acquired by Novartis Pharma from Nektar in the transaction, as well as certain improvements or modifications thereto that are made by Novartis Pharma after the closing. Certain of such patent rights and other related intellectual property rights relate to our development program for inhaled vancomycin or are necessary for us to satisfy certain of our continuing contractual obligations to third parties, including in connection with development, manufacture, sale, and commercialization activities related to BAY41-6551. We also entered into a service agreement pursuant to which we have subcontracted to Novartis certain services to be performed related to our partnered program for BAY41-6551 and a transition services agreement pursuant to which Novartis and we will provide each other with specified services for limited time periods following the closing of the Novartis Pulmonary Asset Sale to facilitate the transition of the acquired assets and business from us to Novartis.

Government Regulation

The research and development, clinical testing, manufacture and marketing of products using our technologies are subject to regulation by the FDA and by comparable regulatory agencies in other countries. These national agencies and other federal, state and local entities regulate, among other things, research and development activities and the testing (in vitro, in animals, and in human clinical trials), manufacture, labeling, storage, recordkeeping, approval, marketing, advertising and promotion of our products.

The approval process required by the FDA before a product using any of our technologies may be marketed in the U.S. depends on whether the chemical composition of the product has previously been approved for use in other dosage forms. If the product is a new chemical entity that has not been previously approved, the process includes the following:

- extensive preclinical laboratory and animal testing;
- submission of an Investigational New Drug application (IND) prior to commencing clinical trials;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for the intended indication; and
- submission to the FDA of an NDA for approval of a drug, a BLA for approval of a biological product or a Premarket Approval Application (PMA) or Premarket Notification 510(k) for a medical device product (a 510(k)).

If the active chemical ingredient has been previously approved by the FDA, the approval process is similar, except that certain preclinical tests relating to systemic toxicity normally required for the IND and NDA or BLA may not be necessary if the company has a right of reference to such data or is eligible for approval under Section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act or the biosimilars provisions of the Public Health Services Act.

Preclinical tests include laboratory evaluation of product chemistry and animal studies to assess the safety and efficacy of the product and its chosen formulation. Preclinical safety tests must be conducted by laboratories that comply with FDA good laboratory practices (GLP) regulations. The results of the preclinical tests for drugs, biological products and combination products subject to the primary jurisdiction of the FDA's Center for Drug Evaluation and Research (CDER) or Center for Biologics Evaluation and Research (CBER) are submitted to the FDA as part of the IND and are reviewed by the FDA before clinical trials can begin. Clinical trials may begin 30 days after receipt of the IND by the FDA, unless the FDA raises objections or requires clarification within that period.

Clinical trials involve the administration of the drug to healthy volunteers or patients under the supervision of a qualified, identified medical investigator according to a protocol submitted in the IND for FDA review. Drug products to be used in clinical trials must be manufactured according to current good manufacturing practices (cGMP). Clinical trials are conducted in accordance with protocols that detail the objectives of the study and the parameters to be used to monitor participant safety and product efficacy as well as other criteria to be evaluated in the study. Each protocol is submitted to the FDA in the IND.

Apart from the IND process described above, each clinical study must be reviewed by an independent Institutional Review Board (IRB) and the IRB must be kept current with respect to the status of the clinical study. The IRB considers, among other things, ethical factors, the potential risks to subjects participating in the trial and the possible liability to the institution where the trial is conducted. The IRB also reviews and approves the informed consent form to be signed by the trial participants and any significant changes in the clinical study.

Clinical trials are typically conducted in three sequential phases. Phase 1 involves the initial introduction of the drug into healthy human subjects (in most cases) and the product generally is tested for tolerability, pharmacokinetics, absorption, metabolism and excretion. Phase 2 involves studies in a limited patient population to:

- determine the preliminary efficacy of the product for specific targeted indications;
- determine dosage and regimen of administration; and
- identify possible adverse effects and safety risks.

If Phase 2 trials demonstrate that a product appears to be effective and to have an acceptable safety profile, Phase 3 trials are undertaken to evaluate the further clinical efficacy and safety of the drug and formulation within an expanded patient population at geographically dispersed clinical study sites and in large enough trials to provide statistical proof of efficacy and tolerability. The FDA, the clinical trial sponsor, the investigators or the IRB may suspend clinical trials at any time if any one of them believes that study participants are being subjected to an unacceptable health risk. In some cases, the FDA and the drug sponsor may determine that Phase 2 trials are not needed prior to entering Phase 3 trials.

Following a series of formal and informal meetings between the drug sponsor and the regulatory agencies, the results of product development, preclinical studies and clinical studies are submitted to the FDA as an NDA or BLA for approval of the marketing and commercial shipment of the drug product. The FDA may deny approval if applicable regulatory criteria are not satisfied or may require additional clinical or pharmaceutical testing or requirements. Even if such data are submitted, the FDA may ultimately decide that the NDA or BLA does not satisfy all of the criteria for approval. Additionally, the approved labeling may narrowly limit the conditions of use of the product, including the intended uses, or impose warnings, precautions or contraindications which could significantly limit the potential market for the product. Further, as a condition of approval, the FDA may impose post-market surveillance, or Phase 4, studies or risk evaluation and mitigation strategies. Product approvals, once obtained, may be withdrawn if compliance with regulatory standards is not maintained or if safety concerns arise after the product reaches the market. The FDA may require additional post-marketing clinical testing and pharmacovigilance programs to monitor the effect of drug products that have been commercialized and has the power to prevent or limit future marketing of the product based on the results of such programs. After approval, there are ongoing reporting obligations concerning adverse reactions associated with the product, including expedited reports for serious and unexpected adverse events.

Each manufacturing establishment producing drug product for the U.S. market must be registered with the FDA and typically is inspected by the FDA prior to NDA or BLA approval of a drug product manufactured by such establishment. Establishments handling controlled substances must also be licensed by the U.S. Drug Enforcement Administration. Manufacturing establishments of U.S. marketed products are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements. They are also subject to U.S. federal, state, and local regulations regarding workplace safety, environmental protection and hazardous and controlled substance controls, among others.

A number of the drugs we are developing are already approved for marketing by the FDA in another form or using another delivery system. We believe that, when working with drugs approved in other forms, the approval process for products using our alternative drug delivery or formulation technologies may involve less risk and require fewer tests than new chemical entities do. However, we expect that our formulations will often use excipients not currently approved for use. Use of these excipients will require additional toxicological testing that may increase the costs of, or length of time needed to, gain regulatory approval. In addition, as they relate to our products, regulatory procedures may change as regulators gain relevant experience, and any such changes may delay or increase the cost of regulatory approvals.

For product candidates currently under development utilizing pulmonary technology, the pulmonary inhaler devices are considered to be part of a drug and device combination for deep lung delivery of each specific molecule. The FDA will make a determination as to the most appropriate center and division within the agency that will assume primary responsibility for the review of the applicable applications, which would consist of an IND and an NDA or BLA where CDER or CBER are determined to have primary jurisdiction or an investigational device exemption application and PMA or 510(k) where the Center for Devices and Radiological Health (CDRH) is determined to have primary jurisdiction. In the case of our product candidates, CDER in consultation with CDRH could be involved in the review. The assessment of jurisdiction within the FDA is based upon the primary mode of action of the drug or the location of the specific expertise in one of the centers.

Where CDRH is determined to have primary jurisdiction over a product, 510(k) clearance or PMA approval is required. Medical devices are classified into one of three classes — Class I, Class II, or Class III — depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. Devices deemed to pose lower risks are placed in either Class I or II, which requires the manufacturer to submit to the FDA a Premarket Notification requesting permission to commercially distribute the device. This process is known as 510(k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device are placed in Class III, requiring PMA approval.

To date, our partners have generally been responsible for clinical and regulatory approval procedures, but we may participate in this process by submitting to the FDA a drug master file developed and maintained by us which contains data concerning the manufacturing processes for the inhaler device or drug. For our proprietary products, we prepare and submit an IND and are responsible for additional clinical and regulatory procedures for product candidates being developed under an IND. The clinical and manufacturing, development and regulatory review and approval process generally takes a number of years and requires the expenditure of substantial resources. Our ability to manufacture and market products, whether developed by us or under collaboration agreements, ultimately depends upon the completion of satisfactory clinical trials and success in obtaining marketing approvals from the FDA and equivalent foreign health authorities.

Sales of our products outside the U.S. are subject to local regulatory requirements governing clinical trials and marketing approval for drugs. Such requirements vary widely from country to country.

In the U.S., under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the U.S. The company that obtains the first FDA approval for a designated orphan drug for a rare disease receives marketing exclusivity for use of that drug for the designated condition for a period of seven years. In addition, the Orphan Drug Act provides for protocol assistance, tax credits, research grants, and exclusions from user fees for sponsors of orphan products. Once a product receives orphan drug exclusivity, a second product that is considered to be the same drug for the same indication may be approved during the exclusivity period only if the second product is

shown to be “clinically superior” to the original orphan drug in that it is more effective, safer or otherwise makes a “major contribution to patient care” or the holder of exclusive approval cannot assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the drug was designated. Similar incentives also are available for orphan drugs in the E.U.

In the U.S., the FDA may grant Fast Track designation to a product candidate, which allows the FDA to expedite the review of new drugs that are intended for serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. An important feature of Fast Track designation is that it emphasizes the critical nature of close, early communication between the FDA and the sponsor company to improve the efficiency of product development.

Patents and Proprietary Rights

We invest a significant portion of our resources in the creation and development of new drug compounds that serve unmet needs in the treatment of patients. In doing so, we create intellectual property. As part of our strategy to secure our intellectual property created by these efforts, we routinely apply for patents, rely on trade secret protection, and enter into contractual obligations with third parties. When appropriate, we will defend our intellectual property, taking any and all legal remedies available to us, including, for example, asserting patent infringement, trade secret misappropriation and breach of contract claims. As of January 1, 2011, we owned greater than 100 U.S. and 380 foreign patents. Currently, we have over approximately 100 patent applications pending in the U.S. and 480 pending in other countries.

A focus area of our current drug creation and development efforts centers on our innovations in and improvements to our PEGylation and advanced polymer conjugate technology platforms. In this area, our patent portfolio contains patents and patent applications that encompass our PEGylation and advanced polymer conjugate technology platforms, some of which we acquired in our acquisition of Shearwater Corporation in June 2001. More specifically, our patents and patent applications cover polymer architecture, drug conjugates, formulations, methods of making polymers and polymer conjugates, and methods of administering polymer conjugates. Our patent strategy is to file patent applications on innovations and improvements to cover a significant majority of the major pharmaceutical markets in the world. Generally, patents have a term of twenty years from the earliest priority date (assuming all maintenance fees are paid). In some instances, patent terms can be increased or decreased, depending on the laws and regulations of the country or jurisdiction that issued the patent.

In January 2002, we entered into a Cross-License and Option Agreement with Enzon Pharmaceuticals, Inc., pursuant to which we and Enzon provided certain licenses to selected portions of each party’s PEGylation patent portfolio. In certain cases, we have the option to license certain of Enzon’s PEGylation patents for use in our proprietary products or for sublicenses to third parties in each case in exchange for payments to Enzon based on manufacturing profits, revenue share or royalties on net sales if a designated product candidate is approved in one or more markets.

In connection with the Novartis Pulmonary Asset Sale, as of December 31, 2008, we entered into an exclusive license agreement with Novartis Pharma. Pursuant to the exclusive license agreement, Novartis Pharma grants back to us an exclusive, irrevocable, perpetual, royalty-free and worldwide license under certain specific patent rights and other related intellectual property rights acquired by Novartis from us in the Novartis Pulmonary Asset Sale, as well as certain improvements or modifications thereto that are made by Novartis. Certain of such patent rights and other related intellectual property rights relate to our development program for inhaled vancomycin or are necessary for us to satisfy certain continuing contractual obligations to third parties, including in connection with development, manufacture, sale, and commercialization activities related to BAY41-6551 partnered with Bayer Healthcare LLC.

The patent positions of pharmaceutical and biotechnology companies, including ours, involve complex legal and factual issues. There can be no assurance that the patents we apply for will be issued to us or that the patents that are issued to us will be held valid and enforceable in a court of law. Even for patents that are enforceable, we anticipate that any attempt to enforce our patents would be time consuming and costly. Additionally, the coverage claimed in a patent application can be significantly reduced before the patent is issued. As a consequence, we do not know whether any of our pending patent applications will be granted with broad coverage or whether the claims that

eventually issue, or those that have issued, will be circumvented. Since publication of discoveries in scientific or patent literature often lag behind actual discoveries, we cannot be certain that we were the first inventor of inventions covered by our patents or patent applications or that we were the first to file patent applications for such inventions. Moreover, we may have to participate in interference proceedings in the U.S. Patent and Trademark Office, which could result in substantial cost to us, even if the eventual outcome is favorable. An adverse outcome 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. Please refer to Item 1A, Risk Factors, including but not limited to "We may not be able to obtain intellectual property licenses related to the development of our technology on a commercially reasonable basis, if at all," and "If any of our pending patent applications do not issue, or are deemed invalid following issuance, we may lose valuable intellectual property protection."

U.S. and foreign patent rights and other proprietary rights exist that are owned by third parties and relate to pharmaceutical compositions and reagents, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, of these rights will be considered relevant to our technology 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. We could incur substantial costs in defending ourselves and our partners against any such claims. Furthermore, parties making such claims may be able to obtain injunctive or other equitable relief, which could effectively block our ability to develop or commercialize some or all of our products in the U.S. and abroad and could result in the award of substantial damages. In the event of a claim of infringement, we or our partners may be required to obtain one or more licenses from third parties. 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 alternative technology. The failure to obtain licenses if needed may have a material adverse effect on our business, results of operations and financial condition.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that we can meaningfully protect our trade secrets. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to, or disclose, our trade secrets. Please refer to Item 1A, Risk Factors, including but not limited to "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."

In certain situations in which we work with drugs covered by one or more patents, our ability to develop and commercialize our technologies may be affected by limitations in our access to these proprietary drugs. Even if we believe we are free to work with a proprietary drug, we cannot guarantee that we will not be accused of, or determined to be, infringing a third party's rights and be prohibited from working with the drug or found liable for damages. Any such restriction on access or liability for damages would have a material adverse effect on our business, results of operations and financial condition.

It is our policy to require our employees and consultants, outside scientific collaborators, sponsored researchers and other advisors who receive confidential information from us to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. The agreements provide that all inventions conceived by an employee shall be our property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

Customer Concentrations

Our revenue is derived from our collaboration agreements with partners, under which we may receive contract research payments, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties or manufacturing revenue. AstraZeneca AB represented 68% of our total revenue during the year ended December 31, 2010. No other collaboration partner accounted for more than 10% of our total revenue during the year ended December 31, 2010.

Backlog

In our partnered programs where we manufacture and supply our proprietary PEGylation materials, inventory is produced and sales are made pursuant to customer purchase orders for delivery. The volume of drug formulation actually purchased by our customers, as well as shipment schedules, are subject to frequent revisions that reflect changes in both the customers' needs and product availability. In our partnered programs where we provide contract research services, those services are typically provided under a work plan that is subject to frequent revisions that change based on the development needs and status of the program. The backlog at a particular time is affected by a number of factors, including scheduled date of manufacture and delivery and development program status. In light of industry practice and our own experience, we do not believe that backlog as of any particular date is indicative of future results.

Competition

Competition in the pharmaceutical and biotechnology industry is intense and characterized by aggressive research and development and rapidly-evolving science, technology, and standards of medical care throughout the world. We frequently compete with pharmaceutical companies and other institutions with 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.

Science and Technology Competition

We believe that our proprietary and partnered products will compete with others in the market on the basis of one or more of the following parameters: efficacy, safety, ease of use and cost. We face intense science and technology competition from a multitude of technologies seeking to enhance the efficacy, safety and ease of use of approved drugs and new drug molecule candidates. A number of the products in our pipeline have direct and indirect competition from large pharmaceutical companies and biopharmaceutical companies. With our PEGylation and advanced polymer conjugate technologies, we believe we have competitive advantages relating to factors such as efficacy, safety, ease of use and cost for certain applications and molecules. We constantly monitor scientific and medical developments in order to improve our current technologies, seek licensing opportunities where appropriate, and determine the best applications for our technology platforms.

In the fields of PEGylation and advanced polymer conjugate technologies, our competitors include Dr. Reddy's Laboratories, Enzon Pharmaceuticals, Inc., SunBio Corporation, Novo Nordisk A/S (formerly assets held by Neose Technologies, Inc.), Mountain View Pharmaceuticals, Inc., and NOF Corporation. Several other chemical, biotechnology and pharmaceutical companies may also be developing PEGylation technology, advanced polymer conjugate technology or technologies intended to deliver similar scientific and medical benefits. Some of these companies license or provide the technology to other companies, while others develop the technology for internal use.

Product and Program Specific Competition

NKTR-118 (oral PEGylated naloxol)

There are no oral drugs approved specifically for the treatment of opioid-induced constipation (OIC) or opioid bowel dysfunction (OBD). The only approved treatment for OIC is a subcutaneous treatment known as methylnaltrexone bromide marketed by Progenics Pharmaceuticals, Inc. in collaboration with Salix Pharmaceuticals, Ltd. Other current therapies that are utilized to treat OIC and OBD include over-the-counter laxatives and stool softeners, such as docusate sodium, senna, and milk of magnesia. These therapies do not address the underlying cause of constipation as a result of opioid use and are generally viewed as ineffective or only partially effective to treat the symptoms of OID and OBD.

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. Potential competitors include Progenics Pharmaceuticals, Inc. in collaboration with Salix Pharmaceuticals, Ltd., Adolor Corporation, GlaxoSmithKline, Mundipharma Int. Limited, Sucampo Pharmaceuticals, Alkermes, Inc. and Takeda Pharmaceutical Company Limited.

NKTR-102 (topoisomerase I inhibitor-polymer conjugate)

There are a number of chemotherapies and cancer therapies approved today and in various stages of clinical development for ovarian and breast cancers including but not limited to: Avastin® (bevacizumab), Camptosar® (irinotecan), Ellence® (epirubicin), Gemzar® (gemcitabine), Herceptin® (trastuzumab), Hycamtin® (topotecan), Halaven® (eribulin), Paraplatin® (carboplatin), and Taxol® (paclitaxel). These therapies are only partially effective in treating ovarian, breast or cervical cancers. Major pharmaceutical or biotechnology companies with approved drugs or drugs in development for these cancers include Bristol-Meyers Squibb, Genentech, Inc., GlaxoSmithKline plc, Pfizer, Inc., Eli Lilly & Co., and many others.

There are also a number of chemotherapies and cancer therapies approved today and in clinical development for the treatment of colorectal cancer. Approved therapies for the treatment of colorectal cancer include Eloxatin® (oxaliplatin), Camptosar® (irinotecan), Avastin® (bevacizumab), Erbitux® (cetuximab), Vectibix® (panitumumab), Xeloda® (capecitabine), Adrucil® (fluorouracil), and Wellcovorin ® (leucovorin). These therapies are only partially effective in treating the disease. There are a number of drugs in various stages of preclinical and clinical development from companies exploring cancer therapies or improved chemotherapeutic agents to potentially treat colorectal cancer. If these drugs are approved, they could be competitive with NKTR-102. These include products in development from Bristol-Myers Squibb Company, Pfizer, Inc., GlaxoSmithKline plc, Antigenics, Inc., F. Hoffman-La Roche Ltd, Novartis AG, Cell Therapeutics, Inc., Neopharm Inc., Meditech Research Ltd, Alchemia Limited, Enzon Pharmaceuticals, Inc., and others.

BAY41-6551 (Amikacin Inhale, formerly NKTR-061)

There are currently no approved drugs on the market for adjunctive treatment or prevention of Gram-negative pneumonias in mechanically ventilated patients which are also administered via the pulmonary route. The current standard of care includes approved intravenous antibiotics which are partially effective for the treatment of either hospital-acquired pneumonia or ventilator-associated pneumonia in patients on mechanical ventilators. These drugs include drugs that fall into the categories of antipseudomonal cephalosporins, antipseudomonal carbepenems, beta-lactam/beta-lactamase inhibitors, antipseudomonal fluoroquinolones, such as ciprofloxacin or levofloxacin, and aminoglycosides, such as amikacin, gentamycin or tobramycin.

Research and Development

Our total research and development expenditures can be disaggregated into the following significant types of expenses (in millions):

	Years Ended December 31,		
	2010	2009	2008
Salaries and employee benefits	$ 37.8	$ 29.4	$ 58.4
Stock compensation expense	7.2	3.4	4.6
Facility and equipment	13.0	9.9	25.9
Outside services, including Contract Research Organizations	33.4	38.9	40.2
Supplies, including clinical trial materials	13.1	10.4	19.0
Travel, lodging and meals	2.5	1.7	3.3
Other	1.1	1.4	3.0
Research and development expense	$ 108.1	$ 95.1	$ 154.4

Manufacturing and Supply

We have a manufacturing facility located in Huntsville, Alabama that is capable of manufacturing PEGylated derivatives and starting materials for active pharmaceutical ingredients (APIs). The facility is also used to produce APIs to support the early phases of clinical development of our proprietary drug candidates. The facility and associated equipment are designed and operated to be consistent with the all applicable laws and regulations.

As we do not maintain the capability to manufacture finished drug products, we utilize contract manufacturers to manufacture the finished drug product for us. We source drug starting materials for our manufacturing activities from one or more suppliers. For the drug starting materials necessary for our proprietary drug candidate development, we have agreements for the supply of such drug components with drug manufacturers or suppliers that we believe have sufficient capacity to meet our demands. However, from time to time, we source critical raw materials and services from one or a limited number of suppliers and there is a risk that if such supply or services were interrupted, it would materially harm our business. In addition, we typically order raw materials and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

Prior to the closing of the Novartis Pulmonary Asset Sale on December 31, 2008, we operated a drug powder manufacturing and packaging facility in San Carlos, California capable of producing drug powders in quantities sufficient for clinical trials of product candidates utilizing our pulmonary technology. As part of the Novartis Pulmonary Asset Sale, we transferred this manufacturing facility and the related operations, and Novartis hired approximately 140 of the related supporting personnel, as of December 31, 2008.

Environment

As a manufacturer of drug products for the U.S. market, we are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements, including U.S. federal, state and local regulations regarding environmental protection and hazardous and controlled substance controls, among others. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We have incurred, and may continue to incur, significant expenditures to ensure we are in compliance with these laws and regulations. We would be subject to significant penalties for failure to comply with these laws and regulations.

Employees and Consultants

As of December 31, 2010, we had 408 employees, of which 299 employees were engaged in research and development, commercial operations and quality activities and 109 employees were engaged in general administration and business development. Of the 408 employees, 318 were located in the United States and 90 were located in India as of December 31, 2010. We have a number of employees who hold advanced degrees, such as Ph.D.s. None of our employees are covered by a collective bargaining agreement, and we have experienced no work stoppages. We believe that we maintain good relations with our employees.

To complement our own expert professional staff, we utilize specialists in regulatory affairs, process engineering, manufacturing, quality assurance, clinical development and business development. These individuals include certain of our scientific advisors as well as independent consultants.

Available Information

Our website address is *http://www.nektar.com*. The information in, or that can be accessed through, our website is not part of this annual report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports are available, free of charge, on or through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities Exchange Commission (SEC). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at *www.sec.gov*.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages and positions of our executive officers as of February 28, 2011:

Name	Age	Position
Howard W. Robin	58	Director, President and Chief Executive Officer
John Nicholson	59	Senior Vice President and Chief Financial Officer
Lorianne K. Masuoka, M.D.	49	Senior Vice President and Chief Medical Officer
Stephen K. Doberstein, Ph.D.	52	Senior Vice President and Chief Scientific Officer
Gil M. Labrucherie, J.D.	39	Senior Vice President, General Counsel and Secretary
Jillian B. Thomsen	45	Senior Vice President and Chief Accounting Officer
Rinko Ghosh	47	Senior Vice President and Chief Business Officer

Howard W. Robin has served as our President and Chief Executive Officer since January 2007 and has served as a member of our Board of Directors since February 2007. Mr. Robin served as Chief Executive Officer, President and director of Sirna Therapeutics, Inc., a clinical-stage biotechnology company pioneering RNAi-based therapies for serious diseases and conditions, from July 2001 to November 2006 and served as their Chief Operating Officer, President and Director from January 2001 to June 2001. From 1991 to 2001, Mr. Robin was Corporate Vice President and General Manager at Berlex Laboratories, Inc., the U.S. pharmaceutical subsidiary of the German pharmaceutical firm Schering AG, and, from 1987 to 1991, he served as their Vice President of Finance and Business Development and Chief Financial Officer. From 1984 to 1987, Mr. Robin was Director of Business Planning and Development at Berlex and was a Senior Associate with Arthur Andersen LLP prior to joining Berlex. Since February 2006, Mr. Robin has served as a member of the Board of Directors of Acologix, Inc., a biopharmaceutical company focused on therapeutic compounds for the treatment of osteo-renal diseases. He received his B.S. in Accounting and Finance from Fairleigh Dickinson University in 1974.

John Nicholson has served as our Senior Vice President and Chief Financial Officer since December 2007. Mr. Nicholson joined the Company as Senior Vice President of Corporate Development and Business Operations in October 2007 and was appointed Senior Vice President and Chief Financial Officer in December 2007. Before joining Nektar, Mr. Nicholson spent 18 years in various executive roles at Schering Berlin, Inc., the U.S. management holding company of Bayer Schering Pharma AG, a pharmaceutical company. From 1997 to September 2007, Mr. Nicholson served as Schering Berlin Inc.'s Vice President of Corporate Development and Treasurer. From 2001 to September 2007, he concurrently served as President of Schering Berlin Insurance Co., and from February 2007 through September 2007, he also concurrently served as President of Bayer Pharma Chemicals and Schering Berlin Capital Corp. Mr. Nicholson holds a B.B.A. from the University of Toledo.

Lorianne K. Masuoka, M.D. has served as our Senior Vice President and Chief Medical Officer since November 30, 2009, and prior to that served as our Vice President of Clinical Development from August 2008 to June 2009. From 2003 until August 2008, Dr. Masuoka served as Vice President of Clinical Development at privately held Five Prime Therapeutics, a clinical stage biotechnology company. From 2000 until 2003, she was Director of Oncology at Chiron Corporation, a multi-national biotechnology firm, acquired by Novartis International AG in April 2006. From 1994 until 2000, Dr. Masuoka held positions of increasing responsibility in clinical research at Berlex Laboratories, Inc., the U.S. pharmaceutical subsidiary of the German pharmaceutical firm Schering AG. Dr. Masuoka received her B.S. and M.D. from the University of California, Davis, was an American Epilepsy Society Fellow at Yale School of Medicine and is board certified in Neurology.

Stephen K. Doberstein, Ph.D. has served as our Senior Vice President and Chief Scientific Officer since January 2010. From October 2008 through December 2009, Dr. Doberstein served as Vice President, Research at Xoma (US) LLC, a publicly traded clinical stage biotechnology company. From July 2004 until August 2008, he served as Vice President, Research at privately held Five Prime Therapeutics, a clinical stage biotechnology company. From September 2001 until July 2004, Dr. Doberstein was Vice President, Research at privately held Xencor, Inc., a clinical stage biotechnology company. From 1997 to 2000, he held various pharmaceutical research positions at Exelixis, Inc., a publicly traded clinical stage biotechnology company. Prior to working at Exelixis, Drr. Doberstein was a Howard Hughes Postdoctoral Fellow and a Muscular Dystrophy Association Senior Postdoctoral

Fellow at the University of California Berkeley. Dr. Doberstein received his Ph.D. Biochemistry, Cell and Molecular Biology from the Johns Hopkins University School of Medicine and received a B.S. in Chemical Engineering from the University of Delaware.

Gil M. Labrucherie has served as our Senior Vice President, General Counsel and Secretary since April 2007, responsible for all aspects of our legal affairs. Mr. Labrucherie served as our Vice President, Corporate Legal from October 2005 through April 2007. From October 2000 to September 2005, Mr. Labrucherie was Vice President of Corporate Development at E2open. While at E2open, Mr. Labrucherie was responsible for global corporate alliances and merger and acquisition activity. Prior to E2open, he was the Senior Director of Corporate Development at AltaVista Company, an Internet search company, where he was responsible for strategic partnerships and mergers and acquisitions. Mr. Labrucherie began his career as an associate in the corporate practice of the law firm of Wilson Sonsini Goodrich & Rosati and Graham & James (DLA Piper Rudnick). Mr. Labrucherie received his J.D. from the Berkeley Law School and a B.A. from the University of California Davis.

Jillian B. Thomsen has served as our Senior Vice President Finance and Chief Accounting Officer since February 2010. From March 2006 through March 2008, Ms. Thomsen served as our Vice President Finance and Corporate Controller and from April 2008 through January 2010 she served as our Vice President Finance and Chief Accounting Officer. Before joining Nektar, Ms. Thomsen was Vice President Finance and Deputy Corporate Controller of Calpine Corporation from September 2002 to February 2006. Ms. Thomsen is a certified public accountant and previously was a senior manager at Arthur Andersen LLP, where she worked from 1990 to 2002, and specialized in audits of multinational consumer products, life sciences, manufacturing and energy companies. Ms. Thomsen holds a Masters of Accountancy from the University of Denver and a B.A. in Business Economics from Colorado College.

Rinko Ghosh has served as our Senior Vice President and Chief Business Officer since March 2010. He served as our Senior Vice President, Business Development and Alliance Management from March 2008 through February 2010, our Vice President, Business Development from August 2006 until February 2008, Senior Director, Business Development from July 2005 until July 2006, and prior to that he worked in a variety of corporate and business development roles for us from May 2001 to June 2005. From February 2001 to April 2001, he was engaged as a commercial development consultant at Aviron (now Medimmune/AstraZeneca) in Palo Alto. From 1999 to 2000, Mr. Ghosh was co-Chief Executive Officer of a private biotechnology company in Asia. From 1994 to 1999, he was engaged as a management consultant with A.T. Kearney, a global management consulting firm. From 1989 to 1992, he worked as an environmental consultant with Environ Corporation, a human health and environmental consulting firm. Mr. Ghosh earned his M.B.A. from the Wharton School, University of Pennsylvania, his M.S. in Environmental Engineering from Vanderbilt University, and his B.S. in Chemical Engineering from the Indian Institute of Technology, Bombay.

Item 1A. *Risk Factors*

We are providing the following cautionary discussion of risk factors, uncertainties and possibly inaccurate assumptions that we believe are relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results and our forward-looking statements. We note these factors for investors as permitted by Section 21E of the Exchange Act and Section 27A of the Securities Act. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider this section to be a complete discussion of all potential risks or uncertainties that may substantially impact our business.

Risks Related to Our Business

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

We have a number of proprietary product candidates and partnered product candidates in research and development ranging from the early discovery research phase through preclinical testing and clinical trials. Preclinical testing and clinical trials are long, expensive and highly uncertain processes. It will take us, or our collaborative partners, several years to complete clinical trials. Drug development is an uncertain scientific and

medical endeavor, and failure can unexpectedly occur at any stage of clinical development even after early preclinical or mid-stage clinical results suggest that the drug candidate has potential as a new therapy that may benefit patients and that health authority approval would be anticipated. Typically, there is a high rate of attrition for product candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. We or our partners have a number of important product candidates in mid- to late-stage development, such as Bayer's Amikacin Inhale, NKTR-118 (oral PEGylated naloxol) and NKTR-119, which we partnered with AstraZeneca, and NKTR-102 (topoisomerase I inhibitor-polymer conjugate). We also have an ongoing Phase 1 clinical trial for NKTR-105 (PEGylated docetaxel) for patients with refractory solid tumors. Any one of these trials could fail at any time, as clinical development of drug candidates presents numerous unpredictable and significant risks and is very uncertain at all times prior to regulatory approval by one or more health authorities in major markets.

Even with success in preclinical testing and clinical trials, the risk of clinical failure remains high prior to regulatory approval.

A number of companies in the pharmaceutical and biotechnology industries have suffered significant unforeseen setbacks in later stage clinical trials (i.e., Phase 2 or Phase 3 trials) due to factors such as inconclusive efficacy results and adverse medical events, even after achieving positive results in earlier trials that were satisfactory both to them and to reviewing regulatory agencies. Although we announced positive preliminary Phase 2 clinical results for NKTR-118 (oral PEGylated naloxol) in 2009, there are still substantial risks and uncertainties associated with the future commencement and outcome of a Phase 3 clinical trial and the regulatory review process even following our partnership with AstraZeneca. While NKTR-102 (topoisomerase I inhibitor-polymer conjugate) continues in Phase 2 clinical development for multiple cancer indications, it is possible this product candidate could fail in one or all of the cancer indications in which it is currently being studied due to efficacy, safety or other commercial or regulatory factors. In 2010 and in January 2011, we announced preliminary positive results from our Phase 2 trials for NKTR-102 in ovarian and breast cancer. These results were based on preliminary data only, and such results could change based on final audit and verification procedures. In addition, the preliminary results from the NKTR-102 clinical studies for ovarian and breast cancer are not necessarily indicative or predictive of the future results from the completed ovarian or breast cancer trials, anticipated Phase 3 trials in these indications or clinical trials in the other cancer indications for which we are studying NKTR-102. There remains a significant uncertainty as to the success or failure of NKTR-102 and whether this drug candidate will eventually receive regulatory approval or be a commercial success even if approved by one or more health authorities in any of the cancer indications for which it is being studied. The risk of failure is increased for our product candidates that are based on new technologies, such as the application of our advanced polymer conjugate technology to small molecules, including NKTR-118, NKTR-119, NKTR-102, NKTR-105 and other drug candidates currently in the discovery research or preclinical development phases.

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 an approval of an NDA by the FDA, and the future results from this trial are difficult to predict.

In 2010, we expanded the NKTR-102 Phase 2 study by 50 patients in women with platinum-resistant/refractory ovarian cancer with the potential for us to consider an early NDA submission after we evaluate these expanded study results. On March 1, 2011, we announced that we intended to further expand this Phase 2 study by up to an additional 60 patients. The FDA almost always requires a sponsor to conduct Phase 3 clinical trials prior to consideration and approval of an NDA, and, as a result, review or approval of an NDA by the FDA based on the expanded Phase 2 study prior to completion of successful Phase 3 clinical studies, if such NDA is submitted, would be unusual and is highly unlikely. In February 2011, the FDA held a public meeting with the Oncology Drug Products Advisory Committee and certain representatives from pharmaceutical companies to examine the outcomes, requirements, and prerequisites for accelerated approval of oncology drugs. The FDA requirements for accelerated approval are very stringent and also remain very uncertain and difficult to predict. Further, this expansion of our Phase 2 study will necessarily change the final efficacy (e.g., overall response rates, progression-free survival, overall survival) and safety (i.e., frequency and severity of serious adverse events) results, and, accordingly, the final results in this study remain subject to substantial change and could be materially and

adversely different from previously announced results. If the clinical studies for NKTR-102 in women with platinum-resistant/refractory ovarian cancer are not successful, it could significantly harm our business, results of operations and financial condition.

We may not be able to obtain intellectual property licenses related to the development of our technology 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, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, patent references will be considered relevant to our or our collaborative 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, our business, results of operations, and financial condition could be significantly harmed and we may be prevented from developing and selling the product.

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, medical device and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own greater than 100 U.S. and 380 foreign patents and a number of pending patent applications that cover various aspects of our technologies. 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 patents that have issued will be valid and enforceable or that patents for which we apply will issue with broad coverage, if at all. The coverage claimed in a patent application can be significantly reduced before the patent is issued and, as a consequence, our patent applications may result in patents with narrow coverage that may not prevent competition from similar products or generics. 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. As part of the patent application process, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in substantial cost to us, even if the eventual outcome is favorable. Further, an issued patent may undergo further proceedings to limit its scope so as not to provide meaningful protection and any claims that have issued, or that eventually issue, may be circumvented or otherwise invalidated. Any attempt to enforce our patents or patent application rights could be time consuming and costly. An adverse outcome 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. 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 commercialization of related products.

There are many laws, regulations and judicial decisions that dictate and otherwise influence the manner in which patent applications are filed and prosecuted and in which patents are granted and enforced. Changes to these laws, regulations and judicial decisions are subject to influences outside of our control and may negatively affect our business, including our ability to obtain meaningful patent coverage or enforcement rights to any of our issued patents. New laws, regulations and judicial decisions may be retroactive in effect, potentially reducing or eliminating our ability to implement our patent-related strategies. Changes to laws, regulations and judicial decisions that affect our business are often difficult or impossible to foresee, which limits our ability to adequately adapt our patent strategies to these changes.

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.

If we are not able to scale-up manufacturing to meet the drug quantities required to support large clinical trials or commercial manufacturing in a timely manner or at a commercially reasonable cost, we risk delaying our clinical trials or those of our partners and may breach contractual obligations and incur associated damages and costs, and reduce or even eliminate associated revenues. In some cases, we may subcontract manufacturing or other services. Pharmaceutical manufacturing 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 validation, and challenges in controlling for all of these factors during manufacturing scale-up for large clinical trials and commercial manufacturing and supply. In addition, we have faced and may in the future face significant difficulties, delays and unexpected expenses as we validate third party contract manufacturers required for scale-up to clinical or commercial quantities. Failure to manufacture products in quantities or at costs that are commercially feasible could cause us not to meet our supply requirements, contractual obligations or other requirements for our proprietary product candidates and, as a result, would significantly harm our business, results of operations and financial condition.

For instance, we entered a service agreement with Novartis pursuant to which we subcontract to Novartis certain important services to be performed in relation to our partnered program for Amikacin Inhale with Bayer Healthcare LLC. If our subcontractors do not dedicate adequate resources to our programs, we risk breach of our obligations to our partners. 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. Further, our drug and device combination products, such as Amikacin Inhale and the Cipro Inhale program, require significant device design, formulation development work and manufacturing scale-up activities. Further, we have experienced significant delays in starting the Phase 3 clinical development program for Amikacin Inhale as we seek to finalize the device design with a demonstrated capability to be manufactured at commercial scale. This work is ongoing and there remains significant risk in finalizing the device until those activities are completed. 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/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.

We will need to restructure our convertible notes or raise substantial additional capital to repay the notes and fund operations, and we may be unable to restructure the notes or raise such capital when needed and on acceptable terms.

We have $215.0 million in outstanding convertible subordinated notes due September 2012. We do not have sufficient resources to fund the development of the drug candidates in our current research and development pipeline, complete late stage clinical development of NKTR-102 and repay these convertible notes. We have no material credit facility or other material committed sources of capital. We expect the Phase 3 clinical trials of NKTR-102 to require particularly significant resources because we anticipate bearing a majority or all of the development costs for that drug candidate. Prior to the maturity of the notes, we plan to explore a number of alternatives to provide for the repayment of the notes, including restructuring the notes. Despite these efforts, we may be unable to find a commercially acceptable alternative or any alternative to repaying the notes by September 2012. Our future capital requirements will depend upon numerous factors, including:

- the progress, timing, cost and results of our clinical development programs, including our planned further clinical development of NKTR-102;

- patient enrollment in our current and future clinical studies, including in particular our expected Phase 3 clinical development plans for NKTR-102;
- whether and when we receive potential milestone payments and royalties, particularly from the product candidates that are subject to our collaboration agreements with AstraZeneca for NKTR-118 and Bayer for Amikacin Inhale;
- the success, progress, timing and costs of our business development efforts to implement new business collaborations, licenses and other strategic transactions;
- the cost, timing and outcomes of regulatory reviews of our product candidates (e.g., NKTR-102) and those of our collaboration partners (e.g., NKTR-118, Amikacin Inhale);
- our general and administrative expenses, capital expenditures and other uses of cash;
- disputes concerning patents, proprietary rights, or license and collaboration agreements;
- the availability and scope of coverage from government and private insurance payment or reimbursement for our drug candidates partnered with collaboration partners and any future drug candidates that may receive regulatory approval in the future; and
- the size, design (i.e., primary and secondary endpoints) and number of clinical studies required by the government health authorities in order to consider for approval our product candidates and those of our collaboration partners.

Although we believe that our cash, cash equivalents and short-term investments in marketable securities of $315.9 million as of December 31, 2010 and the approximately $219.8 million in net proceeds received on January 24, 2011 from a public offering of our common stock will be sufficient to meet our liquidity requirements through at least the next 12 months, we will likely need to restructure our notes or obtain additional funds through one or more financing or collaboration partnership transactions. If adequate funds are not available or are not available on acceptable terms when we need them, we may need to delay or reduce one or more of our Phase 3 clinical trials of NKTR-102 or otherwise make changes to our operations to cut costs.

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 products successfully.

We currently have no sales, marketing or distribution capabilities. To commercialize any of our products that receive regulatory approval for commercialization, we must either develop internal sales, marketing and distribution capabilities, which will 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 collaboration, 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 revenues we receive will depend upon the efforts of third parties, which may not be successful and are only partially in our control. 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.

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 expenses and develop and commercialize our product candidates. In September 2009, we entered into a license agreement with AstraZeneca for NKTR-118 and NKTR-119 which included an upfront payment of $125.0 million. AstraZeneca represented 68% of our total revenue during the year ended December 31, 2010. The timing of new collaboration partnerships is difficult to predict due to availability of clinical data, 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 to negotiate collaborative arrangements with favorable commercial terms with respect to our existing and future product candidates or the licensing of our technology, or if any arrangements we negotiate, or have negotiated, are terminated, our business, results of operations and financial condition could suffer.

The commercial potential of a drug candidate in development is difficult to predict and if the market size for a new drug is significantly smaller than we anticipated, 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 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, patient and physician preferences, 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 successful product candidates following approval by health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market in one or more geographies by the assertion of one or more patents covering such approved drug. If due to one or more of these risks the market potential for a product candidate is lower than we anticipated, it could significantly and negatively impact the commercial terms of any collaboration partnership potential for such product 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 would negatively impact our revenue, results of operations and financial condition.

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 derived from our collaboration agreements with partners, under which we may receive contract research payments, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties or manufacturing revenue. Significant variations in the timing of receipt of cash payments and our recognition of revenue can result from the nature of significant milestone payments based on the execution of new collaboration agreements, the timing of clinical, regulatory or sales events which result in single milestone payments and the timing and success of the commercial launch of new drugs by our collaboration partners. 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 partner achieve clinical and sales milestones, whether the partnership is exclusive or whether we can seek other partners, the timing of regulatory approvals in one or more major markets and the market introduction of new drugs or generic versions of the approved drug, as well as other factors.

If our partners, on which we depend to obtain regulatory approvals for and to commercialize our partnered products, are not successful, or if such collaborations fail, the development or commercialization of our partnered products may be delayed or unsuccessful.

When we sign a collaborative development agreement or license agreement to develop a product candidate with a pharmaceutical or biotechnology company, the pharmaceutical or biotechnology company is generally expected to:

- design and conduct large scale clinical studies;
- prepare and file documents necessary to obtain government approvals to sell a given product candidate; and/or
- market and sell our products when and if they are approved.

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

- we may be unable to control whether, and the extent to which, our partners devote sufficient resources to the development programs or commercial marketing and sales efforts;
- disputes may arise or escalate in the future with respect to the ownership of rights to technology or intellectual property developed with partners;
- 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;
- contracts with our partners may fail to provide us with significant protection, or to be effectively enforced, in the event one of our partners fails to perform;
- partners have considerable discretion in electing whether to pursue the development of any additional product candidates and may pursue alternative technologies or products either on their own or in collaboration with our competitors;
- partners with marketing rights may choose to devote fewer resources to the marketing of our partnered products than they do to products of their own development or products in-licensed from other third parties;
- the timing and level of resources that our partners dedicate to the development program will affect the timing and amount of revenue we receive;
- 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 partnerships is highly unpredictable and can have a substantial negative or positive impact on our business. We have entered into collaborations in the past that have been subsequently terminated, such as our collaboration with Pfizer for the development and commercialization of inhaled insulin that was terminated by Pfizer in November 2007. If other collaborations are suspended or terminated, our ability to commercialize certain other proposed product candidates could also be negatively

impacted. If our collaborations fail, our product development or commercialization of product candidates could be delayed or cancelled, which would negatively impact our business, results of operations and financial condition.

If we or our partners do not obtain regulatory approval for our product 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 product 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. Product candidates must undergo rigorous animal and human testing and an extensive FDA mandated or equivalent foreign authorities' review process for safety and efficacy. This process generally takes a number of years and requires the expenditure of substantial resources. The time required for completing testing and obtaining approvals is uncertain, and the FDA and other U.S. and foreign regulatory agencies have substantial discretion to terminate clinical trials, require additional clinical development or other testing at any phase of development, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. In addition, undesirable side effects caused by our product 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.

Even if we or our partners receive regulatory approval of a product, the approval may limit the indicated uses for which the product may be marketed. Our partnered products 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 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 performance;
- research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered product 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 partnership;
- royalties on end product sales based on a number of complex variables, including net sales calculations, geography, patent life, generic competitors, and other factors; and
- indemnity obligations for third-party intellectual property infringement, product liability and certain other claims.

On September 20, 2009, we entered into a worldwide exclusive license agreement with AstraZeneca for the further development and commercialization of NKTR-118 and NKTR-119. In addition, we have also entered into complex commercial agreements with Novartis in connection with the sale of certain assets related to our

pulmonary business, associated technology and intellectual property to Novartis (the Novartis Pulmonary Asset Sale), which was completed on December 31, 2008. Our agreements with AstraZeneca and Novartis contain complex representations and warranties, covenants and indemnification obligations that could result in substantial future liability and harm our financial condition if we breach any of our agreements with AstraZeneca or Novartis or any third party agreements impacted by these complex transactions. As part of the Novartis Pulmonary Asset Sale, we entered an exclusive license agreement with Novartis Pharma pursuant to which Novartis Pharma grants back to us an exclusive, irrevocable, perpetual, royalty-free and worldwide license under certain specific patent rights and other related intellectual property rights necessary for us to satisfy certain continuing contractual obligations to third parties, including in connection with development, manufacture, sale and commercialization activities related to our partnered program for Amikacin Inhale with Bayer Healthcare LLC. We also entered into a service agreement pursuant to which we have subcontracted to Novartis certain services to be performed related to our partner program for Amikacin Inhale.

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. 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 impact on our business, results of operations or financial condition.

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 opportunity or contract liability 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, and 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 operating loss to the extent we cannot pass on increased costs to a manufacturing customer.

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 year ended December 31, 2010, we reported a net loss of $37.9 million. If and when we achieve profitability depends upon a number of factors, including the timing and recognition of milestone 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 products 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 NKTR-102 since we expect to bear a majority or all of such costs;
- 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 we do not generate sufficient cash through restructuring our convertible notes or raising additional capital, we may be unable to meet our substantial debt obligations.

As of December 31, 2010, we had cash, cash equivalents, and short-term investments in marketable securities valued at approximately $315.9 million and approximately $240.4 million of indebtedness, including approximately $215.0 million in convertible subordinated notes due September 2012, $19.0 million in capital lease obligations, and $6.4 million of other liabilities. On January 24, 2011, we completed a public offering of our common stock with proceeds of approximately $220.4 million. Additionally, we incurred approximately $0.6 million in legal and accounting fees, filing fees, and other offering expenses.

Our substantial indebtedness has and will continue to impact us by:

- making it more difficult to obtain additional financing;
- constraining our ability to react quickly in an unfavorable economic climate;
- constraining our stock price; and
- constraining our ability to invest in our proprietary product development programs.

Currently, we are not generating positive cash flow. If we are unable to satisfy our debt service requirements, substantial liquidity problems could result. In relation to our convertible notes, since the market price of our common stock is significantly below the conversion price, the holders of our outstanding convertible notes are unlikely to convert the notes to common stock in accordance with the existing terms of the notes. If we do not generate sufficient cash from operations to repay principal or interest on our remaining convertible notes, or satisfy any of our other debt obligations, when due, we may have to raise additional funds from the issuance of equity or debt securities or entry into collaboration partnerships or otherwise restructure our obligations. Any such financing or restructuring may not be available to us on commercially acceptable terms, if at all.

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. Though we rely heavily on these parties for successful execution of our clinical trials and 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 trial, 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 our reliance on results of trials that we have not directly conducted or monitored 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.

Our manufacturing operations and those of our contract manufacturers are subject to 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 are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. 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 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 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 or recalls of products, operating restrictions and criminal prosecutions, any of which could harm our business. The results of these 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 would have a material adverse effect on 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 The Dow Chemical Company, Enzon Pharmaceuticals, Inc., 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 several 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 NKTR-118 (oral PEGylated naloxol), there are currently several alternative therapies used to address opioid-induced constipation (OIC) and opioid-induced bowel dysfunction (OBD), including subcutaneous Relistor® (methylnaltrexone bromide) 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 Adolor Corporation, GlaxoSmithKline plc, Progenics Pharmaceuticals, Inc. in collaboration with Salix Pharmaceuticals, Ltd., Mundipharma Int. Limited, Sucampo Pharmaceuticals, Alkermes, Inc. and Takeda Pharmaceutical Company Limited. For NKTR-102 (topoisomerase I inhibitor-polymer conjugate), there are a number of chemotherapies and cancer therapies approved today and in various stages of clinical development for ovarian and breast cancers including but not limited to: Avastin® (bevacizumab), Camptosar® (irinotecan), Doxil® (doxorubicin HCl), Ellence® (epirubicin), Gemzar® (gemcitabine), Herceptin® (trastuzumab), Hycamtin® (topotecan), Iniparib, Paraplatin® (carboplatin), and Taxol® (paclitaxel). Major pharmaceutical or biotechnology companies with approved drugs or drugs in development for these cancers include Bristol-Meyers Squibb, Eli Lilly & Co., Roche, GlaxoSmithKline plc, Johnson and Johnson, Pfizer, Inc., Sanofi Aventis, and many others. There are approved therapies for the treatment of colorectal cancer, including Eloxatin® (oxaliplatin), Camptosar® (irinotecan), Avastin® (bevacizumab), Erbitux® (cetuximab), Vectibix® (panitumumab), Xeloda® (capecitabine), Adrucil® (fluorouracil), and Wellcovorin ® (leucovorin). In addition, there are a number of drugs in various stages of preclinical and clinical development from companies exploring cancer therapies or improved chemotherapeutic agents to potentially treat colorectal cancer, including, but not limited to, products in development from Bristol-Myers Squibb Company, Pfizer, Inc., GlaxoSmithKline plc, Antigenics, Inc., F. Hoffmann-La Roche Ltd, Novartis AG, Cell Therapeutics, Inc., Neopharm Inc., Meditech Research Ltd, Alchemia Limited, Enzon Pharmaceuticals, Inc. and others.

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.

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

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. The third party often bases its assertions on a claim that its patents cover our technology 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 partners from intellectual property infringement, product liability and certain other claims, which could cause us to incur substantial costs 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 products or product candidates in the U.S. and abroad. For instance, F. Hoffmann-La Roche Ltd, to which we license our

proprietary PEGylation reagent for use in the MIRCERA product, was a party to a significant patent infringement lawsuit brought by Amgen Inc. related to Roche's proposed marketing and sale of MIRCERA to treat chemotherapy anemia in the U.S. In October 2008, a federal court ruled in favor of Amgen, issuing a permanent injunction preventing Roche from marketing or selling MIRCERA in the U.S. In December 2009, the U.S. District court for the District of Massachusetts entered a final judgment and permanent injunction, and Roche and Amgen entered into a settlement and limited license agreement which allows Roche to begin selling MIRCERA in the U.S. in July 2014.

Third-party claims involving proprietary rights or other matters could also result in the award of substantial damages to be paid by us or a settlement resulting in significant payments to be made by us. For instance, a settlement might require us to enter a license agreement under which we pay substantial royalties or other compensation to a third party, diminishing our future economic returns from the related product. In 2006, we entered into a litigation settlement related to an intellectual property dispute with the University of Alabama in Huntsville pursuant to which we paid $11.0 million and agreed to pay an additional $10.0 million in equal $1.0 million installments over ten years ending with the last payment due on July 1, 2016. We cannot predict with certainty the eventual outcome of any pending or future litigation. Costs associated with such litigation, substantial damage claims, indemnification claims or royalties paid for licenses from third parties could have a material adverse effect on our business, results of operations and financial condition.

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 product 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 expenses generated by these activities. Our decision to bring NKTR-102 into Phase 3 trials and to bear a majority or all of the clinical development costs substantially increases our expenses. 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 further 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, regulatory, finance, marketing and distribution and develop additional expertise in our existing personnel. In particular, as we plan to advance NKTR-102 into late stage development, additional highly qualified personnel will be required. 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 and 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 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, we have in place a preferred share purchase rights plan, commonly known as a "poison pill." The provisions described above, our "poison pill" and 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 benefits 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.

Risks Related to Our Securities

The price of our common stock and convertible debt are expected to remain volatile.

Our stock price is volatile. During the year ended December 31, 2010, based on closing bid prices on The NASDAQ Global Select Market, our stock price ranged from $9.39 to $15.88 per share. We expect our stock price to remain volatile. In addition, as our convertible notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. Also, interest rate fluctuations can affect the price of our convertible notes. A variety of factors may have a significant effect on the market price of our common stock or notes, including:

- announcements of data from, or material developments in, our clinical trials or those of our competitors, including delays in clinical development, approval or launch;
- announcements by collaboration partners as to their plans or expectations related to products using our technologies;
- announcements or terminations of collaboration agreements by us or our competitors;
- 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;
- hedging activities by purchasers of our convertible notes;
- 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; and
- general market conditions.

Our stockholders may be diluted, and the price of our common stock may decrease, as a result of the exercise of outstanding stock options and warrants, the restructuring of our convertible notes, or the future issuances of securities.

We may restructure our convertible notes or issue additional common stock, preferred stock, restricted stock units or securities convertible into or exchangeable for our common stock. Furthermore, substantially all shares of common stock for which our outstanding stock options or warrants are exercisable are, once they have been purchased, eligible for immediate sale in the public market. The issuance of additional common stock, preferred

stock, restricted stock units or securities convertible into or exchangeable for our common stock or the exercise of stock options or warrants would dilute existing investors and could lower the price of our common stock.

Restructuring of our convertible notes or raising additional funds by issuing equity securities could cause significant dilution to existing stockholders; restructured or additional debt financing may restrict our operations.

If we raise additional funds through the restructuring of our convertible notes or issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be diluted significantly, and these restructured or newly issued securities may have rights, preferences or privileges senior to those of our existing stockholders. If we restructure our notes or incur additional debt financing, the payment of principal and interest on such indebtedness may limit funds available for our business activities, and we could be subject to covenants that restrict our ability to operate our business and make distributions to our stockholders. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on the ability of us to create liens, pay dividends, redeem our stock or make investments.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

California

We lease a 102,283 square foot facility in the Mission Bay Area of San Francisco, California (Mission Bay Facility), under an operating lease which expires in 2020. In November 2010, we moved into the Mission Bay Facility relocating all of our functions from the San Carlos, California facility (San Carlos Facility), including our corporate headquarters and research and development for our PEGylation and advanced polymer conjugate technology operations. Our lease for approximately 100,000 square feet of the San Carlos Facility is under a capital lease which expires in 2016. We are currently seeking one or more subtenants for the San Carlos Facility.

Until December 31, 2008, we leased approximately 230,000 additional square feet in San Carlos, which housed our pulmonary manufacturing facility, as well as research and development laboratories and administrative offices, under a lease which expired in 2012. This lease was assigned to Novartis Pharmaceuticals Corporation in connection with our sale to Novartis of certain of our pulmonary assets on December 31, 2008.

Alabama

We currently own three facilities consisting of approximately 149,333 square feet in Huntsville, Alabama, which house laboratories as well as administrative, clinical and commercial manufacturing facilities for our PEGylation and advanced polymer conjugate technology operations.

India

We own a research and development facility consisting of approximately 88,000 square feet, near Hyderabad, India. In addition, we lease approximately 3,000 square feet of facilities in or near Hyderabad, India under various operating leases, with expiration dates in 2011.

Item 3. ***Legal Proceedings***

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently a party to or aware of any proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

Item 4. ***[Removed and Reserved]***

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

Our common stock trades on the NASDAQ Global Select Market under the symbol "NKTR." The table below sets forth the high and low closing sales prices for our common stock as reported on the NASDAQ Global Select Market during the periods indicated.

	High	Low
Year Ended December 31, 2009:		
1st Quarter	$ 5.79	$ 4.03
2nd Quarter	6.94	5.02
3rd Quarter	10.47	5.89
4th Quarter	10.05	8.07
Year Ended December 31, 2010:		
1st Quarter	$15.52	$ 9.39
2nd Quarter	15.58	11.25
3rd Quarter	15.21	11.60
4th Quarter	15.88	12.30

Holders of Record

As of February 25, 2011, there were approximately 264 holders of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently expect to retain any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

There were no sales of unregistered securities and there were no common stock repurchases made during the year ended December 31, 2010.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our equity compensation plans as of December 31, 2010 is disclosed in Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K and is incorporated herein by reference from our proxy statement for our 2011 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

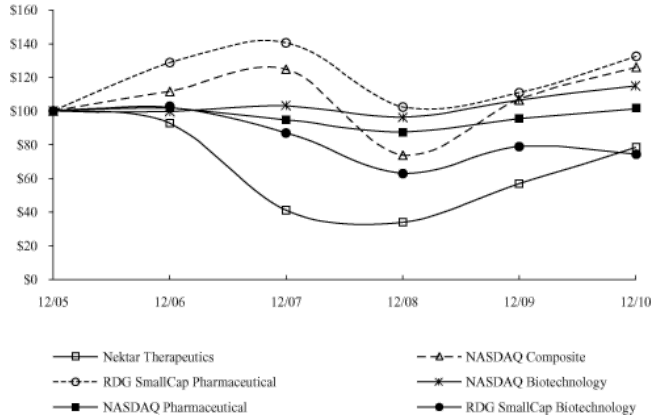
Performance Measurement Comparison

The material in this section is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall the material in this section be deemed to be incorporated by reference in any registration statement or other document filed with the SEC under the Securities Act or the Exchange Act, except as otherwise expressly stated in such filing.

The following graph compares, for the five year period ended December 31, 2010, the cumulative total stockholder return (change in stock price plus reinvested dividends) of our common stock with (i) the NASDAQ Composite Index, (ii) the NASDAQ Pharmaceutical Index, (iii) the RGD SmallCap Pharmaceutical Index, (iv) the NASDAQ Biotechnology Index and (v) the RDG SmallCap Biotechnology Index. Measurement points are the last trading day of each of our fiscal years ended December 31, 2006, December 31, 2007, December 31, 2008,

December 31, 2009 and December 31, 2010. The graph assumes that $100 was invested on December 31, 2005 in the common stock of the Company, the NASDAQ Composite Index, the Nasdaq Pharmaceutical Index, the RGD SmallCap Pharmaceutical Index, the NASDAQ Biotechnology Index and the RDG SmallCap Biotechnology Index and assumes reinvestment of any dividends. The stock price performance in the graph is not intended to forecast or indicate future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*



* $100 invested on 12/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Item 6. ***Selected Financial Data***

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except per share information)

The selected consolidated financial data set forth below should be read together with the consolidated financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the other information contained herein.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Statements of Operations Data:					
Revenue:					
Product sales and royalties(1)	$ 34,667	$ 35,288	$ 41,255	$ 180,755	$ 153,556
License, collaboration and other revenue(2)	124,372	36,643	48,930	92,272	64,162
Total revenue	159,039	71,931	90,185	273,027	217,718
Total operating costs and expenses(3)(4)	187,294	167,063	172,837	309,175	376,948
Loss from operations	(28,255)	(95,132)	(82,652)	(36,148)	(159,230)
Gain on debt extinguishment	—	—	50,149	—	—
Interest and other income (expense), net	(8,802)	(7,640)	(2,639)	4,696	5,297
Provision (benefit) for income taxes	881	(253)	(806)	1,309	828
Net loss	$ (37,938)	$ (102,519)	$ (34,336)	$ (32,761)	$ (154,761)
Basic and diluted net loss per share(5)	$ (0.40)	$ (1.11)	$ (0.37)	$ (0.36)	$ (1.72)
Shares used in computing basic and diluted net loss per share(5)	94,079	92,772	92,407	91,876	89,789

	As of December 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Cash, cash equivalents and investments	$ 315,932	$ 396,211	$ 378,994	$ 482,353	$ 466,977
Working capital	$ 289,871	$ 260,650	$ 337,846	$ 425,191	$ 369,457
Total assets	$ 521,225	$ 575,518	$ 560,536	$ 725,103	$ 768,177
Deferred revenue	$ 145,347	$ 192,372	$ 65,577	$ 80,969	$ 40,106
Convertible subordinated notes	$ 214,955	$ 214,955	$ 214,955	$ 315,000	$ 417,653
Other long-term liabilities	$ 22,585	$ 23,344	$ 25,585	$ 27,543	$ 29,189
Accumulated deficit	$(1,264,547)	$(1,226,609)	$(1,124,090)	$(1,089,754)	$(1,056,993)
Total stockholders' equity	$ 90,662	$ 102,367	$ 190,154	$ 214,439	$ 227,060

(1) 2007 and 2006 product sales and royalties include commercial manufacturing revenue from Exubera bulk dry powder insulin and Exubera inhalers.

(2) 2007 and 2006 collaboration and other revenue included Exubera commercialization readiness revenue.

(3) Operating costs and expenses includes the Gain on sale of pulmonary assets of $69.6 million in 2008 and the Gain on termination of collaborative agreements, net of $79.2 million in 2007.

(4) Basic and diluted net loss per share is based upon the weighted average number of common shares outstanding.

Item 7. ***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 I, Item 1A — Risk Factors."

Overview

Strategic Direction of Our 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.

During 2010, we continued to make substantial investments to advance our pipeline of drug candidates from early stage discovery research through clinical development. In 2010, we continued to advance Phase 2 clinical trials for NKTR-102 (topoisomerase I inhibitor-polymer conjugate) in platinum resistant/refractory ovarian cancer, metastatic breast cancer and metastatic colorectal cancer. The Phase 2 clinical trial in metastatic breast cancer patients was fully enrolled in 2010 with patients continuing in the study into 2011. In 2010, we expanded the Phase 2 clinical trial by 50 patients in platinum resistant/refractory ovarian cancer patients and on March 1, 2011, we announced that we intended to further expand this study by up to 60 additional patients. We expect this expansion trial to continue to enroll in 2011. The Phase 2 clinical study in metastatic colorectal cancer patients is still enrolling. Enrollment in the colorectal cancer study has been challenging due to the fact that the comparator arm of this study, single-agent irinotecan, is not the standard of care for second line metastatic colorectal therapy in the United States or Europe.

In December 2010, we announced that we were planning to take NKTR-102 into Phase 3 clinical development prior to seeking a collaboration partner. We are currently planning a comparative Phase 3 clinical study for NKTR-102 in metastatic breast cancer and plan to start this study in late 2011. In addition, we will also continue the expanded Phase 2 clinical trial in platinum resistant/refractory patients to evaluate the potential of an early submission of a New Drug Application to the United States Food and Drug Administration depending on our assessment of those expanded study results. The size, scope and timing of our investment in a comparative Phase 3 clinical study in platinum resistant/refractory ovarian cancer will depend upon a number of important variables including our evaluation of the expanded Phase 2 study results, discussions with health authorities and key opinion leaders, evolving regulatory standards and requirements, and the estimated cost of these studies. We anticipate our Phase 3 development plans for NKTR-102 to require substantial investment over the next several years.

Our focus on research and clinical development requires substantial investments that continue to increase as we advance each drug candidate through each phase of the development cycle. In addition to advancing our proprietary programs that are currently in clinical development, we are committed to continuing to make significant investments to advance new opportunities from our earlier stage research discovery pipeline. For example, we plan to start a Phase 1 clinical study for NKTR-181 in the first half of 2011. 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 and/or receives regulatory approval in one or more major markets,

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 is extremely difficult to predict. Clinical development successes and failures can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition, and market value.

We have a number of existing license and collaboration agreements with third parties in which we have an economic interest and could have a material impact on our business, results of operations and financial condition. In particular, the future clinical and commercial success or failure of our collaboration with AstraZeneca for NKTR-118 and NKTR-119 and our collaboration with Bayer for Amikacin Inhale will have a material impact on our business and financial condition over the next several years. In addition, the amount of revenue that we derive from UCB's CIMZIA®, Roche's MIRCERA®, Map's Levadex™ and Affymax's Hematide™, among other of our collaboration agreements, will together have a material impact on our business, financial results and cash position. Because drug development and commercialization is subject to numerous risks and uncertainties, there is a substantial risk that our future revenue from one or more of these agreements will be less than we project in our business plans.

Historically, we have entered into a number of license and supply contracts under which we manufactured and supplied our proprietary PEGylation reagents on a cost-plus or fixed price basis. Our current strategy is to manufacture and supply PEGylation reagents to support our proprietary drug candidates or for third party collaborators where we have a strategic development and commercialization relationship or where we derive substantial economic benefit. As a result, whenever possible, we are renegotiating or not seeking renewal of legacy manufacturing supply arrangements that do not include a strategic development or commercialization component. For example, in October 2010 we entered into a supply, dedicated suite and manufacturing guarantee agreement with Amgen Inc. and Amgen Manufacturing, Limited, which has significantly amended economic and other terms in the non-exclusive supply and license agreement we previously entered into with Amgen in July 1995. In addition, in December 2010 we entered into an amended manufacturing and supply agreement with Merck (through its subsidiary Schering) to provide for transfer to an alternative manufacturer and revised economics for an interim supply arrangement until that transition is completed.

Key Developments and Trends in Liquidity and Capital Resources

At December 31, 2010, we had approximately $315.9 million in cash, cash equivalents, and short-term investments and $240.4 million in indebtedness. On January 24, 2011, we completed a public offering of our common stock with proceeds of approximately $220.4 million. Additionally, as part of the public offering, we incurred approximately $0.6 million in legal and accounting fees, filing fees, and other offering expenses. We have $215.0 million in outstanding convertible subordinated notes due September 2012. We do not have sufficient resources to fund our research and development plans and repay these convertible notes. We have no material credit facility or other material committed sources of capital. We expect the Phase 3 clinical studies of NKTR-102 to require particularly significant resources because we anticipate bearing a majority or all of the development costs for that drug candidate. Prior to the maturity of the convertible notes, we plan to explore a number of alternatives to provide for the repayment of the notes, including restructuring the notes.

We have financed our operations primarily through revenue from product sales and royalties, development and commercialization collaboration contracts and debt and equity financings. While in the past we have received a number of significant payments from license and collaboration agreements and other significant transactions, we do not currently anticipate receiving substantial payments for new transactions in the near future. To date we have incurred substantial debt as a result of our issuances of subordinated notes that are convertible into our common stock. Our substantial debt, the market price of our securities, and the general economic climate, among other factors, could have material consequences for our financial condition and could affect our sources of short-term and long-term funding. Our ability to meet our ongoing operating expenses and repay our outstanding indebtedness is dependent upon our and our partners' ability to successfully complete clinical development of, obtain regulatory approvals for and successfully commercialize new drugs. Even if we or our partners are successful, we may require additional capital to continue to fund our operations and repay our debt obligations as they become due. There can be no assurance that additional funds, if and when required, will be available to us on favorable terms, if at all.

Results of Operations

Years Ended December 31, 2010, 2009, and 2008

Revenue (in thousands, except percentages)

	Years Ended December 31,			Increase/ (Decrease)	Increase/ (Decrease)	Percentage Increase/ (Decrease)	Percentage Increase/ (Decrease)
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008	2010 vs. 2009	2009 vs. 2008
Product sales and royalties	$ 34,667	$ 35,288	$ 41,255	$ (621)	$ (5,967)	(2)%	(14)%
License, collaboration and other	124,372	36,643	48,930	87,729	(12,287)	239%	(25)%
Total revenue	$ 159,039	$ 71,931	$ 90,185	$ 87,108	$ (18,254)	121%	(20)%

Total revenue increased for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily due to the recognition of the remaining $101.4 million of the $125.0 million upfront payment received from AstraZeneca AB for NKTR-118 and NKTR-119 in the fourth quarter of 2009. For the year ended December 31, 2010, recognition of amounts received from AstraZeneca AB represented 68% of our total revenue.

Total revenue decreased for the year ended December 31, 2009 compared to the year ended December 31, 2008 primarily as a result of the sale of certain of our pulmonary assets to Novartis completed on December 31, 2008 (Novartis Pulmonary Asset Sale) and lower product manufacturing volumes required by our collaboration partners. In connection with the Novartis Pulmonary Asset Sale, our collaboration agreement with Novartis for TIP was terminated and our collaboration agreement with Bayer Schering Pharma AG for Cipro Inhale was assigned to Novartis. For the year ended December 31, 2009, two of our partners, AstraZeneca AB and UCB Pharma, represented 35% and 17%, respectively, of our total revenue.

Product sales and royalties

Product sales include cost-plus and fixed price manufacturing and supply agreements with our collaboration partners. We also receive royalty revenue from certain of our collaboration partners based on their net sales once their products are approved for commercial sale. Royalty revenues were $7.3 million, $5.2 million, and $3.5 million for the years ended December 31, 2010, 2009, and 2008, respectively.

The decrease in product sales and royalties for the year ended December 31, 2010 compared to the year ended December 31, 2009 is attributable to decreased product sales of $2.7 million partially offset by increased royalty revenue of $2.1 million. The timing of shipments is based on the demand and requirements of our collaboration partners and is not ratable throughout the year.

We expect product sales and royalties to decrease in 2011 due to decreased product sales partially offset by increased royalty revenues.

Lower product demand from our collaboration partners resulted in decreased product sales of approximately $7.5 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. For the year ended December 31, 2009, an increase in royalties of approximately $1.6 million partially offset the decrease in product sales compared to the year ended December 31, 2008.

License, collaboration and other revenue

License, collaboration and other revenue includes amortization of upfront payments and performance milestone payments received in connection with our license and collaboration agreements and reimbursed research and development expenses. The level of license, collaboration and other revenues depends in part upon the estimated amortization period of the upfront and milestone payments, the achievement of future milestones, the continuation of existing collaborations, the amount of reimbursed research and development work, and the signing of new collaborations.

For the year ended December 31, 2010, the increase in license, collaboration and other revenue compared to the year ended December 31, 2009 is primarily attributable to recognition of the upfront payment received from AstraZeneca for NKTR-118 and NKTR-119 in the fourth quarter of 2009, contract research and other revenue from AstraZeneca, and the recognition of the license extension option payment received from Roche in December 2009. Under the AstraZeneca license agreement and related technology transfer agreement, we recognized $101.4 million and $23.6 million of the $125.0 million upfront payment and $6.5 million and $1.5 million of contract research and other revenue for the years ended December 31, 2010 and 2009, respectively. We recognized $5.1 million and $0.2 million, respectively, of the $31.0 million license extension option payment from Roche for the years ended December 31, 2010 and 2009, respectively.

The decrease in license, collaboration and other revenue for the year ended December 31, 2009 compared to the year ended December 31, 2008 is primarily attributable to elimination of any revenue from Novartis related to TIP and from Bayer Schering Pharma AG for Cipro Inhale as a result of the Novartis Pulmonary Asset Sale. In addition, 2008 included revenue related to a new intellectual property license agreement we entered into with Roche and higher revenue from Bayer under our collaboration agreement for BAY41-6551. This decrease is partially off-set by $25.1 million in revenue recognized related to our agreement with AstraZeneca for NKTR-118 and NKTR-119.

We expect license, collaboration and other revenue to substantially decrease in 2011 due to the complete recognition as of December 31, 2010 of the upfront payment we received under the AstraZeneca license agreement.

The timing and future success of our drug development programs and those of our collaboration partners are subject to a number of risks and uncertainties. See “Part I, Item 1A — Risk Factors” for discussion of the risks associated with our partnered research and development programs.

Revenue by geography

Revenue by geographic area is based on locations of our partners. The following table sets forth revenue by geographic area (in thousands):

	Years Ended December 31,		
	2010	2009	2008
United States	$ 29,636	$ 29,511	$ 30,800
European countries	129,403	42,420	59,385
Total revenue	$ 159,039	$ 71,931	$ 90,185

The increase in revenue attributable to European countries for the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily attributable to the revenue we recognized from the AstraZeneca collaboration transaction.

Cost of goods sold (in thousands, except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Cost of goods sold	$ 25,667	$ 30,948	$ 28,216	$ (5,281)	$ 2,732	(17)%	10%
Product gross profit	9,000	4,340	13,039	4,660	(8,699)	107%	(67)%
Product gross margin	26%	12%	32%				

The decrease in cost of goods sold during the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily due to the $2.7 million decrease in product sales and the inclusion in cost of goods sold in 2009 of a $2.1 million success fee that became due to one of our former consulting firms in 2009. The increase to product gross margin during the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily attributable to the $2.1 million increase in royalty revenues recognized in 2010 without a related cost and the $2.1 million success fee included in cost of goods sold in 2009.

The decrease to product gross margin during the year ended December 31, 2009 compared to the year ended December 31, 2008 is primarily attributable to lower manufacturing volumes and the $2.1 million success fee that became due to one of our former consulting firms in 2009.

As a result of the fixed cost base associated with our manufacturing activities, we expect product gross margin to fluctuate in future periods depending on the level of manufacturing orders from our customers.

Other cost of revenue (in thousands, except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Other cost of revenue	$—	$—	$6,821	$—	$(6,821)	n/a	n/a

Other cost of revenue consists of idle Exubera manufacturing capacity costs that were incurred by us prior to the termination of all of our inhaled insulin programs in April 2008. We do not expect to incur any additional idle Exubera manufacturing capacity costs.

Research and development expense (in thousands, except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Research & development expense	$108,065	$95,109	$154,417	$12,956	$(59,308)	14%	(38)%

Research and development expense consists primarily of personnel costs, including salaries, benefits and stock-based compensation, clinical study costs, including direct costs of contract research organizations (CROs) and other vendors, direct costs of outside research, materials and supplies, licenses and fees and overhead allocations consisting of various support and facilities related costs.

The increase in research and development expense for the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily attributable to an $8.4 million increase in salaries and employee benefits due to increased headcount to support our expanded clinical efforts and further investment in and development of our research capabilities and pipeline. The increase also includes a $3.8 million increase in non-cash stock-based compensation expense due to our higher stock price and increased headcount, a $3.1 million increase to facilities and equipment costs primarily due to the completion of our India research facility and to the move to our new facility in the Mission Bay Area of San Francisco, California (Mission Bay Facility), and a $2.7 million increase in supplies, including clinical trial materials. These expense increases were partially offset by a $5.5 million decrease in outside services, including contract research organizations, due primarily to lower expenses for the NKTR-118 and NKTR-119 programs as a result of our successful completion of Phase 2 clinical studies and collaboration with AstraZeneca pursuant to the license agreement entered into in September 2009.

The decrease in research and development expense for the year ended December 31, 2009 compared to the year ended December 31, 2008 is primarily attributable to the divestiture of certain pulmonary research and development programs as part of the Novartis Pulmonary Asset Sale. Research and development expense related to the divested pulmonary programs totaled $52.6 million for the year ended December 31, 2008 which was comprised of facility, employee related and other costs. Additionally, in 2008 we recorded approximately $5.9 million in other expenses related to the workforce reduction completed in February 2008 and additional severance costs related to the Novartis Pulmonary Asset Sale.

We utilize our employee and infrastructure resources across multiple development projects as well as our research programs directed towards identifying other product candidates based on our technology platform. The following table shows expenses incurred for preclinical study support, contract manufacturing for clinical supplies

and clinical and regulatory services provided by third parties and direct materials costs for each of our product candidates. The table also presents other costs and overhead consisting of personnel, facilities and other indirect costs (in thousands):

	Clinical Study Status(1)	Years Ended December 31, 2010	2009	2008
NKTR-102 (topoisomerase I inhibitor-polymer conjugate)	Phase 2	$ 14,730	$ 17,509	$ 15,710
BAY41-6551 (Amikacin Inhale, formerly NKTR-061)(2)	Completed Phase 2	12,606	13,482	6,033
NKTR-181 (abuse deterrent, tamper-resistant opioid)	Pre-clinical	4,389	—	—
NKTR-118 (oral PEGylated naloxol)(3)	Completed Phase 2	3,439	9,607	16,926
NKTR-105 (PEGylated docetaxel)	Phase 1	2,137	2,188	3,688
Other PEGylation product candidates	Various	7,460	7,084	5,391
Other pulmonary product candidates(4)	n/a	—	105	10,048
Total third party and direct materials costs		44,761	49,975	57,796
Personnel, overhead and other costs		48,736	36,672	82,323
Stock-based compensation and depreciation		14,568	8,462	14,298
Research and development expense		$ 108,065	$ 95,109	$ 154,417

(1) Clinical Study Status definitions are provided in the chart found in Part I, Item 1. Business.

(2) Partnered with Bayer Healthcare LLC in August 2007. As part of the Novartis Pulmonary Asset Sale, we retained an exclusive license to this technology for the development and commercialization of this product.

(3) Partnered with AstraZeneca AB (AstraZeneca) in 2009. In general, all development costs incurred by us after partnering with AstraZeneca are reimbursed by AstraZeneca.

(4) Consists of costs associated with pulmonary products that have been assigned, transferred or terminated.

As shown in the table above, our most significant investments in specific development programs in 2010 included NKTR-102, BAY41-6551 (Amikacin Inhale, formerly NKTR-061), NKTR-181, NKTR-118, and NKTR-105. In addition, we continue to actively perform research and pre-clinical development of other drug candidates based on our proprietary advanced polymer conjugate technology platform.

We expect research and development expense will substantially increase over the next several years. We plan to continue to advance NKTR-102 in Phase 2 clinical trials for breast, ovarian and colorectal cancers. In 2011, we are completing our Phase 2 clinical trial in metastatic breast cancer patients and we are currently planning a comparative Phase 3 clinical development program in metastatic breast cancer patients that we plan to start by the end of 2011. Our expanded Phase 2 clinical trial in platinum resistant/refractory ovarian cancer patients will continue throughout 2011. We are currently also evaluating various options for Phase 3 clinical development of NKTR-102 in platinum resistant/refractory ovarian cancer patients. At the same time, we will also be advancing the Phase 2 clinical study for NKTR-102 in colorectal cancer patients and we expect to continue to enroll patients throughout 2011 and beyond. In December 2010, we announced that we intended to continue development of NKTR-102 into Phase 3 clinical development prior to completing a collaboration partnership for this drug candidate. As such, we will be funding all of the clinical development costs for NKTR-102 without reimbursement from a collaboration partner for the foreseeable future. The clinical development costs for NKTR-102 will be significant and we have not yet completed our Phase 3 planning. As a result, we do not currently have any estimate of the dates or costs to complete the clinical development efforts for any of the cancer indications in which we are studying NKTR-102.

In 2011, we will be investing in a Phase 1 clinical study for NKTR-181 (an abuse deterrent, tamper-resistant opioid) that we expect to start and complete in 2011. In addition, we plan to continue to make substantial

investments to support the clinical and commercial manufacturing preparation and scale-up for the inhaler devices to supply Bayer for the Amikacin Inhale program. Under our collaboration agreement with Bayer, we are responsible for all clinical and commercial supply of the inhaler devices for Amikacin Inhale. We do not expect to have any significant future research and development costs associated with NKTR-118 and NKTR-119 as AstraZeneca is responsible for all further development and commercialization costs for these drug candidates.

In addition to our programs that will be in clinical development in 2011, we believe it is important to continue our substantial investment in 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 plan to 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.

Our expenditures on current and future preclinical and clinical development programs are subject to numerous uncertainties in timing and cost to completion. In order to advance our product candidates through clinical development, the product candidates are tested in numerous preclinical safety, toxicology and efficacy studies. We then conduct clinical trials for our drug candidates that take several years to complete. The cost and time required to complete clinical trials may vary significantly over the life of a clinical development program as a result of a variety of factors, including but not limited to:

- the number of patients required to fully enroll a clinical trial;
- the length of time required to enroll clinical trial participants;
- the number and location of sites included in the clinical trials;
- the clinical trial designs required by the health authorities (i.e. primary and secondary end points);
- the potential for changing standards of care for the target patient population;
- the competition for patient recruitment from competitive drug candidates being studied in the same clinical setting;
- the costs of producing supplies of the product candidates needed for clinical trials and regulatory submissions;
- the safety and efficacy profile of the drug candidate;
- the use of clinical research organizations to assist with the management of the trials; and
- the costs and timing of, and the ability to secure, regulatory approvals.

Furthermore, our strategy includes entering into collaborations with third parties to participate in the development and commercialization of some of our drug candidates such as NKTR-118, NKTR-119, and Amikacin Inhale. In these situations, the clinical trial process for a drug candidate and the estimated completion date will largely be under the control of that third party and not under our control. We cannot forecast with any degree of certainty which of our product candidates will be subject to future collaborations or how such arrangements would affect our development plans or capital requirements.

The risks and uncertainties associated with our research and development projects are discussed more fully in Item 1A — Risk Factors. As a result of the uncertainties discussed above, we are unable to determine with any degree of certainty the duration and completion costs of our research and development projects, anticipated completion dates or when and to what extent we will receive cash inflows from a collaboration arrangement or the commercialization of a drug candidate.

General and administrative expense (in thousands, except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
General & administrative expense	$40,986	$41,006	$51,497	$(20)	$(10,491)	—%	(20)%

General and administrative expenses are associated with administrative staffing, business development, finance, marketing, and legal.

General and administrative expenses for the year ended December 31, 2010 remained at a consistent level compared to the year ended December 31, 2009. In 2011, we expect general and administrative expenses to increase modestly compared to 2010.

The decrease in general and administrative expenses for the year ended December 31, 2009 compared to the year ended December 31, 2008 is primarily attributable to decreased employee compensation costs of $4.1 million, decreased professional fees of $4.3 million, and decreased marketing costs of $1.5 million due to our election to terminate our co-promotion rights and obligations under the collaboration agreement with Bayer for Amikacin Inhale.

Impairment of long lived assets (in thousands except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Impairment of long-lived assets	$12,576	$—	$1,458	$12,576	$(1,458)	n/a	n/a

During the year ended December 31, 2010, we relocated all of our operations previously located in San Carlos, California, including our corporate headquarters, to our Mission Bay Facility in San Francisco, California. This event triggered an impairment test to be performed for the remaining assets located in San Carlos and an impairment charge of $12.6 million was recognized as a result. We determined the carrying value of the San Carlos facility exceeded its fair value based on a discounted cash flow model.

During the year ended December 31, 2008, impairment of long lived assets included an impairment charge of $1.5 million related to a specialized dryer designed for our PEGylation manufacturing facility. The dryer was not functioning properly and was not being used in operations. We determined the carrying value of the manufacturing equipment exceeded the fair value based on a discounted cash flow model.

Gain on sale of pulmonary assets (in thousands except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Gain on sale of pulmonary assets	$—	$—	$69,572	$—	$(69,572)	n/a	n/a

On December 31, 2008, we sold certain of our pulmonary assets to Novartis for $115.0 million. The gain on sale of pulmonary assets includes the purchase price received from Novartis less the net book value of property and equipment of $37.3 million, an equity investment in Pearl Therapeutics, Inc. of $2.7 million, transaction costs of $4.6 million, and other costs of $0.9 million.

Interest income (in thousands except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Interest income	$1,545	$3,688	$12,495	$(2,143)	$(8,807)	(58)%	(70)%

The decreases in interest income for the years ended December 31, 2010 and 2009 compared to the previous years were primarily attributable to lower interest rates earned on our cash, cash equivalents, and available-for-sale investments.

Interest expense (in thousands except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Interest expense	$11,174	$12,176	$15,192	$(1,002)	$(3,016)	(8)%	(20)%

The decrease in interest expense during the year ended December 31, 2010 compared to the year ended December 31, 2009 is primarily attributable to the complete amortization of deferred financing costs during 2010 from our 3.25% convertible subordinated notes due September 2012 and decreased interest expense from capital leases. We expect the interest expense in 2011 to remain at a level consistent with 2010.

We repurchased $100.0 million par value of our 3.25% convertible subordinated notes in the fourth quarter of 2008. This resulted in a lower average balance of notes outstanding and a corresponding decrease in interest expense in 2009 compared to 2008.

Gain on debt extinguishment (in thousands except percentages)

	Years Ended December 31,			Increase/ (Decrease) 2010 vs. 2009	Increase/ (Decrease) 2009 vs. 2008	Percentage Increase/ (Decrease) 2010 vs. 2009	Percentage Increase/ (Decrease) 2009 vs. 2008
	2010	2009	2008				
Gain on debt extinguishment	$—	$—	$50,149	$—	$(50,149)	n/a	n/a

During the three months ended December 31, 2008, we repurchased approximately $100.0 million in par value of our 3.25% convertible subordinated notes for an aggregate purchase price of $47.8 million. The recognized gain on debt extinguishment is net of transaction costs of $1.0 million and accelerated amortization of our deferred financing costs of $1.1 million.

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 and private placements of debt and equity. As of December 31, 2010, we had cash, cash equivalents and investments in marketable securities of $315.9 million and indebtedness of $240.4 million, including $215.0 million of convertible subordinated notes, $19.0 million in capital lease obligations and $6.4 million in other liabilities. Additionally at December 31, 2010, we had letter of credit arrangements with certain financial institutions and vendors, including our landlord, totaling $2.4 million. These letters of credit will expire during 2011 and are secured by investments of similar amounts. On January 24, 2011, we completed a public offering of our common stock with proceeds of approximately $220.4 million. Additionally, as part of the public offering, we incurred approximately $0.6 million in legal and accounting fees, filing fees, and other offering expenses.

We will likely not have sufficient capital to fund the development of the drug candidates in our current research and development pipeline, fund late stage clinical development of NKTR-102 and repay the $215.0 million convertible notes when they become due in September 2012. We have no material credit facility or other material committed sources of capital. We expect the Phase 3 clinical trials of NKTR-102 to require particularly significant

resources because we anticipate bearing a majority or all of the development costs for that drug candidate. Prior to the maturity of the convertible notes, we plan to explore a number of alternatives to provide for the repayment of the convertible notes, including restructuring the convertible notes. Despite these efforts, we may be unable to find a commercially acceptable alternative or any alternative to repaying the notes by September 2012. Please refer to Part I, Item 1A, Risk Factors, "We will need to restructure our convertible notes or raise substantial additional capital to repay the notes and fund operations, and we may be unable to restructure the notes or raise such capital when needed and on acceptable terms."

Due to the potential for continued uncertainty in the credit markets in 2011, we may experience reduced liquidity with respect to some of our short-term investments. These investments are generally held to maturity, which is less than one year. However, if the need arose to liquidate such securities before maturity, we may experience losses on liquidation. As of December 31, 2010, we held $298.2 million of available-for-sale investments, excluding money market funds, with an average time to maturity of 145 days. Based on our available cash and our expected operating cash requirements, we do not intend to sell these securities and it is more likely than not that we will not be required to sell these securities before we recover the amortized cost basis. To date we have not experienced any liquidity issues with respect to these securities, but should 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 cash equivalents and short-term investments will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Cash flows from operating activities

During the year ended December 31, 2010, net cash used in operating activities totaled $55.9 million, which primarily consisted of spending on operating costs and expenses and includes $7.0 million for interest payments on our convertible subordinated notes, and was partially offset by a $50.0 million upfront payment received from Amgen under the supply, dedicated suite and manufacturing guarantee agreement that we entered into with Amgen in October 2010. We expect that cash flows used in operating activities, excluding upfront payments received, if any, will increase in 2011 as a result of increased spending on our proprietary research and development programs.

During the year ended December 31, 2009, net cash provided by operating activities totaled $39.7 million, which included the $125.0 million upfront payment received from AstraZeneca under the license agreement we entered into for NKTR-118 and NKTR-119 and a $31.0 million license extension payment received from Roche in December 2009.

During the year ended December 31, 2008, net cash used for our operating activities was $145.8 million, which included a number of significant items including a $10.0 million clinical development milestone received from Bayer Healthcare LLC under our collaboration agreement for Amikacin Inhale, payments by us to Bespak Europe Ltd. and Tech Group North America, Inc. of $40.2 million for amounts due under termination agreements with these Exubera inhaler device contract manufacturers, all of which was recorded as an expense in 2007, $6.8 million paid to maintain Exubera manufacturing capacity through April 2008, and $5.4 million for severance, and employee benefits in connection with our workforce reduction plans.

Cash flows from investing activities

We purchased $31.5 million, $16.4 million, and $18.9 million of property and equipment in the years ended December 31, 2010, 2009, and 2008, respectively. Additionally, we made advanced payments on property and equipment purchases of $4.3 million in the year ended December 31, 2009. Our capital expenditures increased in 2010, as we constructed the leasehold improvements for the Mission Bay Facility and completed our research and development facility in Hyderabad, India. We expect our capital expenditures to decrease in 2011 compared to 2010.

On December 31, 2008, we completed the sale of certain pulmonary assets to Novartis for a purchase price of $115.0 million. We paid $0.2 million in transaction costs related to the sale during the year ended December 31, 2008 and $4.4 million in transaction costs during the year ended December 31, 2009. In addition, in July 2008, we invested $4.2 million in Pearl Therapeutics Inc. (Pearl). In 2007, we granted Pearl a limited field intellectual property license to certain of our proprietary pulmonary delivery technology. In connection with the Novartis

Pulmonary Asset Sale, we transferred our ownership interest in Pearl to Novartis and assigned the Pearl intellectual property license to Novartis.

Cash flows used in financing activities

We received proceeds from issuance of common stock related to our employee option and stock purchase plans of $8.9 million, $4.8 million, and $0.4 million in the years ended December 31, 2010, 2009, and 2008, respectively.

During the year ended December 31, 2008, we repurchased approximately $100.0 million in par value of our 3.25% convertible subordinated notes for an aggregate purchase price of $47.8 million. The $215.0 million of 3.25% convertible subordinated notes outstanding at December 31, 2010, are due in September 2012.

On January 24, 2011, we completed a public offering of our common stock with proceeds of approximately $220.4 million. Additionally, we incurred approximately $0.6 million in legal and accounting fees, filing fees, and other offering expenses.

Contractual Obligations

	Payments Due by Period				
	Total	<=1 Yr 2011	2-3 Yrs 2012-2013	4-5 Yrs 2014-2015	2016+
Obligations(1)					
Convertible subordinated notes, including interest	$ 228,927	$ 6,986	$ 221,941	$ —	$ —
Capital leases, including interest(2)	29,580	4,919	10,155	10.472	4,034
Operating leases(3)	21,320	—	—	5,176	16,144
Purchase commitments(4)	10,205	10,205	—	—	—
Litigation settlement, including interest	6,000	1,000	2,000	2,000	1,000
	$ 296,032	$ 23,110	$ 234,096	$ 17,648	$ 21,178

(1) The above table does not include certain commitments and contingencies which are discussed in Note 7 of Item 8. Financial Statements and Supplementary Data.

(2) These amounts primarily result from our office space lease at 201 Industrial Road in San Carlos, California under capital lease arrangements. As of November 29, 2010, we have ceased use of this space as a result of the relocation of all of our functions, including our corporate headquarters and an R&D center, to our Mission Bay Facility. We currently intend to sublease the San Carlos space, but have not been relieved of any obligations of the terms of this lease, which is discussed in Note 6 of Item 8. Financial Statements and Supplementary Data.

(3) In November 2010, we moved into our Mission Bay Facility, which includes our corporate headquarters and an R&D center at 455 Mission Bay Boulevard South in San Francisco, California. Under the terms of the sublease we entered into with Pfizer Inc. on September 30, 2009 for the Mission Bay Facility, we will begin making non-cancelable lease payments in 2014. The sublease is discussed in Note 6 of Item 8. Financial Statements and Supplementary Data.

(4) Substantially all of this amount was subject to open purchase orders as of December 31, 2010 that were issued under existing contracts. This amount does not represent minimum contract termination liability for our existing contracts.

Given our current cash requirements, we forecast that we will have sufficient cash to meet our net operating expense requirements and contractual obligations at least through December 31, 2011. We plan to continue to invest in our growth and our future cash requirements will depend upon the timing and results of these investments. Our capital needs will depend on many factors, including continued progress in our research and development programs, progress with preclinical and clinical trials of our proprietary and partnered drug candidates, our ability to successfully enter into additional collaboration agreements for one or more of our proprietary drug candidates or intellectual property that we control, the time and costs involved in obtaining regulatory approvals, the costs of developing and scaling our clinical and commercial manufacturing operations, the costs involved in preparing,

filing, prosecuting, maintaining and enforcing patent claims, the need to acquire licenses to new technologies and the status of competitive products.

To date we have incurred substantial debt as a result of our issuances of subordinated notes that are convertible into our common stock. Our substantial debt, the market price of our securities, and the general economic climate, among other factors, could have material consequences for our financial condition and could affect our sources of short-term and long-term funding. Our ability to meet our ongoing operating expenses and repay our outstanding indebtedness is dependent upon our and our partners' ability to successfully complete clinical development of, obtain regulatory approvals for and successfully commercialize new drugs. Even if we or our partners are successful, we may require additional capital to continue to fund our operations and repay our debt obligations as they become due. There can be no assurance that additional funds, if and when required, will be available to us on favorable terms, if at all.

Off Balance Sheet Arrangements

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

Critical Accounting Policies

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 revenues 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, and evaluate our estimates on an ongoing basis. Actual results may differ from those estimates under different assumptions or conditions. We have determined that for the periods reported in this report, the following accounting policies and estimates are critical in understanding our financial condition and results of our operations.

Revenue Recognition

License, collaboration and other research revenue is recognized based on the facts and circumstances of each contractual agreement and includes amortization of upfront fees. We defer income under contractual agreements when we have further obligations that indicate that a separate earnings process has not been completed. Upfront fees are recognized ratably over the expected performance period under each arrangement. Management makes its best estimate of the period over which we expect to fulfill our performance obligations, which may include technology transfer assistance, clinical development activities, or manufacturing activities through the commercial life of the product. Given the complexities and uncertainties of research and development collaborations, significant judgment is required by management to determine the duration of the performance period.

As of December 31, 2010, we had $46.5 million of deferred upfront fees related to five research and collaboration agreements that are being amortized over 6 to 24 years, or an average of 12 years. For our research and collaboration agreements, our performance obligations may span the life of the agreement. For these, the shortest reasonable period is the end of the development period (estimated to be 4 to 6 years) and the longest period is the contractual life of the agreement, which is generally 10-12 years from the first commercial sale. Given the statistical probability of drug development success in the bio-pharmaceutical industry, drug development programs have only a 5% to 10% probability of reaching commercial success. If we had determined a longer or shorter amortization period was appropriate, our annual upfront fee amortization for these agreements could be as low as $4.0 million or as high as $17.0 million.

As of December 31, 2010, we also had $95.2 million of deferred upfront fees related to five license and supply agreements that are being amortized over periods from 2 and 10 years. Our performance obligations for these agreements may include technology transfer assistance and/or back-up manufacturing and supply services for a specified period of time; therefore, the time estimated to complete the performance obligations related to licenses is

either specified or is much shorter than research and collaboration agreements. We may experience delays in the execution of technology transfer plans, which may result in a longer amortization period for applicable agreements.

Our original estimates are periodically evaluated to determine if circumstances have caused the estimates to change and if so, amortization of revenue is adjusted prospectively.

Stock-Based Compensation

We use the Black-Scholes option valuation model adjusted for the estimated historical forfeiture rate for the respective grant to determine the estimated fair value of our stock-based compensation arrangements on the date of grant (grant date fair value) and expense this value ratably over the service period of the option or performance period of the Restricted Stock Unit award (RSU). The Black-Scholes option pricing model requires the input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect fair value estimates, in management's opinion, the existing models may not provide a reliable single measure of the fair value of our employee stock options or common stock purchased under our employee stock purchase plan. In addition, management continually assesses the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to the assumptions and methodologies, and which could materially impact our fair value determination, as well as our stock-based compensation expense.

Clinical Trial Accruals

We record accruals for the estimated costs of our clinical trial activities performed by third parties. We 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. If the actual timing of these phases varies from the estimate, we will adjust the accrual prospectively. We accrue costs associated with treatment phase of clinical trials based on the total estimated cost of the clinical trials and are expensed ratably based on patient enrollment in the trials.

Recent Accounting Pronouncements

FASB Accounting Standards Update 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements

In October 2009, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) 2009-13, which amends the criteria to identify separate units of accounting within Subtopic 605-25, "Revenue Recognition-Multiple-Element Arrangements". The revised guidance also expands the disclosure required for multiple-element revenue arrangements. FASB ASU No. 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations when we adopt it on January 1, 2011. However, the adoption of this guidance may result in revenue recognition patterns for agreements entered into or modified after adoption that are materially different from those recognized under the existing multiple-element guidance.

FASB ASU 2010-17, Revenue Recognition — Milestone Method (Topic 605): Milestone Method of Revenue Recognition

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 — 17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations when we adopt it on January 1, 2011.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate and Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, 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 short-term securities and maintain a weighted average maturity of one year or less.

A hypothetical 50 basis point increase in interest rates would result in an approximate $0.6 million decrease, less than 1%, in the fair value of our available-for-sale securities at December 31, 2010. This potential change is based on sensitivity analyses performed on our investment securities at December 31, 2010. Actual results may differ materially. The same hypothetical 50 basis point increase in interest rates would have resulted in an approximate $0.8 million decrease, less than 1%, in the fair value of our available-for-sale securities at December 31, 2009.

Due to the potential for continued uncertainty in the credit markets in 2011, we may experience reduced liquidity with respect to some of our short-term investments. These investments are generally held to maturity, which is less than one year. However, if the need arose to liquidate such securities before maturity, we may experience losses on liquidation. As of December 31, 2010, we held $298.2 million of available-for-sale investments, excluding money market funds, with an average time to maturity of 145 days. To date we have not experienced any liquidity issues with respect to these securities, but should 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 cash equivalents and short-term investments will be sufficient to meet our anticipated cash needs for at least the next twelve months. We have the ability and intent to hold our debt securities to maturity when they will be redeemed at full par value. Accordingly, we consider unrealized losses to be temporary and have not recorded a provision for impairment.

Foreign Currency Risk

The majority of our revenue, expense, and capital purchasing activities are transacted in U.S. dollars. However, since a portion of our operations consists of research and development activities outside the United States, we have entered into transactions in other currencies, primarily the Indian Rupee, and we therefore are subject to foreign exchange risk.

Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. We do not utilize derivative financial instruments to manage our exchange rate risks.

Item 8. ***Financial Statements and Supplementary Data***

NEKTAR THERAPEUTICS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Nektar Therapeutics

We have audited the accompanying consolidated balance sheets of Nektar Therapeutics as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nektar Therapeutics at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nektar Therapeutics' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
March 1, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Nektar Therapeutics

We have audited Nektar Therapeutics' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nektar Therapeutics' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nektar Therapeutics maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nektar Therapeutics as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2010 of Nektar Therapeutics and our report dated March 1, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
March 1, 2011

NEKTAR THERAPEUTICS

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2010	2009
	(In thousands, except per share information)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,755	$ 49,597
Short-term investments	298,177	346,614
Accounts receivable, net of allowance of nil at December 31, 2010 and 2009	25,102	4,801
Inventory	7,266	6,471
Other current assets	5,679	6,183
Total current assets	353,979	413,666
Property and equipment, net	89,773	78,263
Goodwill	76,501	76,501
Other assets	972	7,088
Total assets	$ 521,225	$ 575,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,194	$ 3,066
Accrued compensation	9,252	10,052
Accrued clinical trial expenses	12,144	14,167
Accrued expenses	8,540	4,354
Deferred revenue, current portion	20,584	115,563
Other current liabilities	6,394	5,814
Total current liabilities	64,108	153,016
Convertible subordinated notes	214,955	214,955
Capital lease obligations, less current portion	17,014	18,800
Deferred revenue, less current portion	124,763	76,809
Deferred gain	4,152	5,027
Other long-term liabilities	5,571	4,544
Total liabilities	430,563	473,151
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 10,000 shares authorized Series A, $0.0001 par value; 3,100 shares designated; no shares issued or outstanding at either December 31, 2010 or 2009	—	—
Common stock, $0.0001 par value; 300,000 authorized; 94,517 shares and 93,281 shares issued and outstanding at December 31, 2010 and 2009, respectively	9	9
Capital in excess of par value	1,354,232	1,327,942
Accumulated other comprehensive income	968	1,025
Accumulated deficit	(1,264,547)	(1,226,609)
Total stockholders' equity	90,662	102,367
Total liabilities and stockholders' equity	$ 521,225	$ 575,518

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

NEKTAR THERAPEUTICS

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2010	2009	2008
	(In thousands, except per share information)		
Revenue:			
Product sales and royalties	$ 34,667	$ 35,288	$ 41,255
License, collaboration and other revenue	124,372	36,643	48,930
Total revenue	159,039	71,931	90,185
Operating costs and expenses:			
Cost of goods sold	25,667	30,948	28,216
Other cost of revenue	—	—	6,821
Research and development	108,065	95,109	154,417
General and administrative	40,986	41,006	51,497
Impairment of long-lived assets	12,576	—	1,458
Gain on sale of pulmonary assets	—	—	(69,572)
Total operating costs and expenses	187,294	167,063	172,837
Loss from operations	(28,255)	(95,132)	(82,652)
Non-operating income (expense):			
Interest income	1,545	3,688	12,495
Interest expense	(11,174)	(12,176)	(15,192)
Other income (expense), net	827	848	58
Gain on extinguishment of debt	—	—	50,149
Total non-operating income (expense), net	(8,802)	(7,640)	47,510
Loss before provision (benefit) for income taxes	(37,057)	(102,772)	(35,142)
Provision (benefit) for income taxes	881	(253)	(806)
Net loss	$ (37,938)	$ (102,519)	$ (34,336)
Basic and diluted net loss per share	$ (0.40)	$ (1.11)	$ (0.37)
Shares used in computing basic and diluted net loss per share	94,079	92,772	92,407

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

NEKTAR THERAPEUTICS

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Equity
				(In thousands)		
Balance at December 31, 2007	92,301	$ 9	$ 1,302,541	$ 1,643	$ (1,089,754)	$ 214,439
Stock option exercises and RSU release	146	—	122	—	—	122
Stock-based compensation	—	—	9,871	—	—	9,871
Shares issued for Employee Stock Purchase Plan	56	—	262	—	—	262
Other comprehensive loss	—	—	—	(204)	—	(204)
Net loss	—	—	—	—	(34,336)	(34,336)
Comprehensive loss						(34,540)
Balance at December 31, 2008	92,503	$ 9	$ 1,312,796	$ 1,439	$ (1,124,090)	$ 190,154
Stock option exercises and RSU release	742	—	4,696	—	—	4,696
Stock-based compensation	—	—	10,326	—	—	10,326
Shares issued for Employee Stock Purchase Plan	36	—	124	—	—	124
Other comprehensive loss	—	—	—	(414)	—	(414)
Net loss	—	—	—	—	(102,519)	(102,519)
Comprehensive loss						(102,933)
Balance at December 31, 2009	93,281	$ 9	$ 1,327,942	$ 1,025	$ (1,226,609)	$ 102,367
Stock option exercises and RSU release	1,176	—	8,340	—	—	8,340
Stock-based compensation	—	—	17,399	—	—	17,399
Shares issued for Employee Stock Purchase Plan	60	—	551	—	—	551
Other comprehensive loss	—	—	—	(57)	—	(57)
Net loss	—	—	—	—	(37,938)	(37,938)
Comprehensive loss						(37,995)
Balance at December 31, 2010	94,517	$ 9	$ 1,354,232	$ 968	$ (1,264,547)	$ 90,662

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

NEKTAR THERAPEUTICS

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2010	2009	2008
		(In thousands)	
Cash flows from operating activities:			
Net loss	$ (37,938)	$ (102,519)	$ (34,336)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	16,551	14,881	22,489
Stock-based compensation	17,399	10,326	9,871
Other non-cash transactions	198	(657)	1,251
Gain on sale of pulmonary assets	—	—	(69,572)
Gain on extinguishment of debt	—	—	(50,149)
Impairment of long-lived assets	12,576	—	1,458
Changes in assets and liabilities:			
Accounts receivable	(20,301)	6,034	10,476
Inventory	(795)	2,848	2,868
Other assets	577	(200)	1,166
Accounts payable	4,274	(8,046)	6,181
Accrued compensation	(800)	(1,518)	(3,382)
Accrued clinical trial expenses	(2,023)	(3,455)	14,727
Accrued expenses to contract manufacturers	—	—	(40,444)
Accrued expenses	1,683	(4,191)	(1,332)
Deferred revenue	(47,025)	126,795	(15,392)
Other liabilities	(247)	(559)	(1,662)
Net cash (used in) provided by operating activities	$ (55,871)	$ 39,739	$ (145,782)
Cash flows from investing activities:			
Purchases of property and equipment	(31,457)	(16,390)	(18,855)
Advance payments for property and equipment	—	(4,312)	—
Maturities of investments	475,813	310,707	588,168
Sales of investments	15,479	17,318	70,060
Purchases of investments	(443,122)	(451,918)	(475,316)
Proceeds from sale of pulmonary assets	—	(4,440)	114,831
Investment in Pearl Therapeutics	—	—	(4,236)
Net cash provided by (used in) investing activities	$ 16,713	$ (149,035)	$ 274,652
Cash flows from financing activities:			
Issuance of common stock, net of issuance costs	8,891	4,820	384
Payments of loan and capital lease obligations	(1,356)	(1,285)	(2,368)
Repayments of convertible subordinated notes	—	—	(47,757)
Net cash provided by (used in) financing activities	$ 7,535	$ 3,535	$ (49,741)
Effect of exchange rates on cash and cash equivalents	(219)	(226)	162
Net (decrease) increase in cash and cash equivalents	$ (31,842)	$ (105,987)	$ 79,291
Cash and cash equivalents at beginning of year	49,597	155,584	76,293
Cash and cash equivalents at end of year	$ 17,755	$ 49,597	$ 155,584
Supplemental disclosure of cash flows information:			
Cash paid for interest	$ 10,599	$ 11,225	$ 14,702
Cash paid for income taxes	$ 407	$ 743	$ 812
Supplemental schedule of non-cash investing and financing activities:			
Property and equipment acquired through capital leases	$ 195	$ —	$ —

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

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

Note 1 — Organization and Summary of Significant Accounting Policies

Organization

We are a clinical-stage 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 designed to improve the therapeutic benefits of drugs.

Basis of Presentation, Principles of Consolidation and Use of Estimates

Our consolidated financial statements include the financial position, results of operations and cash flows of our wholly-owned subsidiaries: Nektar Therapeutics AL, Corporation (Nektar AL), Nektar Therapeutics (India) Private Limited, Nektar Therapeutics UK, Ltd. (Nektar UK) and Aerogen, Inc. All intercompany accounts and transactions have been eliminated in consolidation. The merger of Nektar AL, an Alabama corporation, with and into its parent corporation, Nektar Therapeutics, was made effective July 31, 2009. As of the effective date, the separate existence of the Alabama corporation ceased, and all rights, privileges, powers and franchises of the Alabama corporation are vested in Nektar Therapeutics, the surviving corporation. On December 2, 2010, we completed the dissolution of Aerogen, Inc. and all remaining assets were transferred to Nektar Therapeutics.

Our 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 balance sheet. To date, such cumulative translation adjustments have not been material to our consolidated financial position. Aggregate gross foreign currency transaction gains (losses) recorded in operations for the years ended December 31, 2010, 2009, and 2008 were not material.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to deferred revenue recognition periods, inventories, the impairment of investments and long-lived assets, restructuring and contingencies, stock-based compensation, and litigation, amongst others. 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.

Cash, Cash Equivalents, and Investments, and Fair Value of Financial Instruments

We consider all investments in marketable securities with an original maturity of three months or less to be cash equivalents. Investments are designated as available-for-sale and are carried at fair value, with unrealized gains and losses reported in stockholders' equity as accumulated other comprehensive income (loss). The disclosed fair value related to our investments is based primarily on the reported fair values in our period-end brokerage statements. We independently validate these fair values using available market quotes and other information. Investments with maturities greater than one year from the balance sheet date, if any, are classified as long-term.

Interest and dividends on securities classified as available-for-sale, as well as amortization of premiums and accretion of discounts to maturity, are included in interest income. Realized gains and losses and declines in value of available-for-sale securities judged to be other-than-temporary, if any, are included in other income (expense). The cost of securities sold is based on the specific identification method.

The carrying value of cash, cash equivalents, and investments approximates fair value and is based on quoted market prices.

Accounts Receivable and Significant Customer 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 and royalties and collaborative research and development agreements. 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. At December 31, 2010, two different customers represented 66% and 21%, respectively, of our accounts receivable. At December 31, 2009, four different customers represented 30%, 29%, 13%, and 13%, respectively, of our accounts receivable.

Inventory and Significant Supplier Concentrations

Inventory is determined on a first-in, first-out basis and stated net of reserves at the lower of cost or market. Inventory costs include direct materials, direct labor, and manufacturing overhead. Supplies inventory related to research and development activities are expensed when purchased.

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 regulatory requirements. In certain cases, we rely on single sources of supply. Consequently, in the event that supplies are delayed or interrupted for any reason, our ability to develop and produce our products could be impaired, which could have a material adverse effect on our business, financial condition and results of operation.

Property and Equipment

Property and equipment are stated at cost. Major improvements are capitalized, while maintenance and repairs are expensed when incurred. Manufacturing, laboratory and other equipment are depreciated using the straight-line method generally over estimated useful lives of three to seven years. Leasehold improvements and buildings are depreciated using the straight-line method over the shorter of the estimated useful life or the remaining term of the lease.

We periodically review our property and equipment for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Generally, an impairment loss would be recognized if the carrying amount of an asset exceeds the sum of the discounted cash flows expected to result from the use and eventual disposal of the asset (See Note 12).

Goodwill

Goodwill represents the excess of the price paid for another entity over the fair value of the assets acquired and liabilities assumed in a business combination. We test for impairment in the fourth quarter of each year using an October 1 measurement date, as well as at other times when impairment indicators exist or when events occur or circumstances change that would indicate the carrying amount may not be fully recoverable.

We are organized in one reporting unit and have evaluated the goodwill for the Company as a whole. Goodwill is tested for impairment using a two-step approach. The first step is to compare the fair value of our net assets, including assigned goodwill, to the book value of our net assets, including assigned goodwill. If the fair value is greater than our net book value, the assigned goodwill is not considered impaired. If the fair value is less than our net book value, we perform a second step to measure the amount of the impairment, if any. The second step would be to compare the book value of our assigned goodwill to the implied fair value of our goodwill. We did not recognize any goodwill-related impairment charges during 2010, 2009, or 2008.

Revenue Recognition

Product sales and royalties

Product sales are primarily derived from cost-plus and fixed price manufacturing and supply agreements with our collaboration partners and revenue is recognized in accordance with the terms of the related agreement. We have not experienced any significant returns from our customers.

Generally, we are entitled to royalties from our partners based on their net sales of approved products. We recognize royalty revenue when the cash is received or when the royalty amount to be received is estimable and collection is reasonably assured.

License, collaboration and other

We enter into license agreements and collaborative research and development arrangements with pharmaceutical and biotechnology partners that may involve multiple deliverables. Our arrangements may contain one or more of the following elements: upfront fees, contract research and development, milestone payments, manufacturing and supply, royalties, and license fees. Each deliverable in the arrangement is evaluated to determine whether it meets the criteria to be accounted for as a separate unit of accounting or whether it should be combined with other deliverables. Revenue is recognized for each element when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured.

Upfront fees received for license and collaborative agreements are recognized ratably over our expected performance period under the arrangement. Management makes its best estimate of the period over which we expect to fulfill our performance obligations, which may include technology transfer assistance, clinical development activities, and manufacturing activities from development through the commercialization of the product. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period.

Milestone payments received are deferred and recognized as revenue ratably over the period of time from the achievement of the milestone and our estimated date on which the next milestone will be achieved. Management makes its best estimate of the period of time until the next milestone is reached. Final milestone payments are recorded and recognized upon achieving the respective milestone, provided that collection is reasonably assured.

The original estimated amortization periods for upfront fees and milestone payments are periodically evaluated to determine if circumstances have caused the estimate to change and if so, amortization of revenue is adjusted prospectively.

Shipping and Handling Costs

We record costs related to shipping and handling of product to customers in cost of goods sold.

Stock-Based Compensation

Stock-based compensation arrangements include stock option grants and restricted stock unit (RSU) awards under our equity incentive plans and shares issued under our Employee Stock Purchase Plan (ESPP), in which employees may purchase our common stock at a discount to the market price.

We use the Black-Scholes option valuation model, adjusted for the estimated historical forfeiture rate, for the respective grant to determine the estimated fair value of the option or RSU award on the date of grant (grant date fair value) and the estimated fair value of common stock purchased under the ESPP. The Black-Scholes option pricing model requires the input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing models may not provide a reliable

single measure of the fair value of our employee stock options or common stock purchased under the ESPP. Management will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies, and which could materially impact our fair value determination.

We expense the value of the portion of the option or award that is ultimately expected to vest on a straight line basis over the requisite service periods in our Consolidated Statements of Operations. Stock-based compensation expense for purchases under the ESPP are recognized based on the estimated fair value of the common stock during each offering period and the percentage of the purchase discount. Expense amounts are allocated among inventory, cost of goods sold, research and development expenses, and general and administrative expenses based on the function of the applicable employee.

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. Costs associated with the treatment phase of clinical trials are accrued based on the total estimated cost of the clinical trials and are expensed ratably based on patient enrollment in the trials. Costs associated with the start-up and reporting phases of the clinical trials are expensed ratably over the duration of the reporting and start-up phases.

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 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. The weighted average of these potentially dilutive securities has been excluded from the diluted net loss per share calculation and is as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Convertible subordinated notes	9,989	9,989	13,804
Stock options	9,338	10,653	14,147
Total	19,327	20,642	27,951

Income Taxes

We account for income taxes under the liability method; under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. We record a valuation allowance against deferred tax assets to reduce their carrying value to an amount that is more likely than not to be realized.

We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or

litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Comprehensive loss

Comprehensive loss is the change in stockholders' equity from transactions and other events and circumstances other than those resulting from investments by stockholders and distributions to stockholders. The Company's other comprehensive loss is comprised of net loss, gains and losses from the foreign currency translation of the assets and liabilities of our India subsidiary, and unrealized gains and losses on investments.

Recent Accounting Pronouncements

FASB Accounting Standards Update 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements

In October 2009, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) 2009-13, which amends the criteria to identify separate units of accounting within Subtopic 605-25, "Revenue Recognition-Multiple-Element Arrangements". The revised guidance also expands the disclosure required for multiple-element revenue arrangements. FASB ASU No. 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations when we adopt it on January 1, 2011. However, the adoption of this guidance may result in revenue recognition patterns for agreements entered into or modified after adoption that are materially different from those recognized under the existing multiple-element guidance.

FASB ASU 2010-17, Revenue Recognition — Milestone Method (Topic 605): Milestone Method of Revenue Recognition

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 — 17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations when we adopt it on January 1, 2011.

Note 2 — Cash, Cash Equivalents, and Available-For-Sale Investments

Cash, cash equivalents, and available-for-sale investments are as follows (in thousands):

	Estimated Fair Value at	
	December 31, 2010	December 31, 2009
Cash and cash equivalents	$ 17,755	$ 49,597
Short-term investments (less than one year to maturity)	298,177	346,614
Total cash, cash equivalents, and available-for-sale investments	$ 315,932	$ 396,211

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our portfolio of cash, cash equivalents, and available-for-sale investments includes (in thousands):

	Estimated Fair Value at	
	December 31, 2010	December 31, 2009
Obligations of U.S. corporations	$ 190,527	$ 160,458
Obligations of U.S. government agencies	25,289	125,731
U.S. corporate commercial paper	82,361	71,923
Obligations of U.S. states and municipalities	—	4,995
Cash and money market funds	17,755	33,104
Total cash, cash equivalents, and available-for-sale investments	$ 315,932	$ 396,211

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 short-term securities and maintain a weighted average maturity of one year or less. At December 31, 2010 and December 31, 2009, the average portfolio duration was approximately five months and the contractual maturity of any single investment did not exceed twelve months.

Gross unrealized gains and losses were not significant at December 31, 2010 and 2009. The gross unrealized losses were primarily due to changes in interest rates on fixed income securities. Based on our available cash and our expected operating cash requirements we do not intend to sell these securities and it is more likely than not that we will not be required to sell these securities before we recover the amortized cost basis. Accordingly, we believe there are no other-than-temporary impairments on these securities and have not recorded a provision for impairment.

During the years ended December 31, 2010, 2009, and 2008, we sold available-for-sale securities totaling $15.5 million, $17.3 million and $70.1 million, respectively, and realized gains of less than $0.1 million, $0.1 million, and $0.1 million in 2010, 2009, and 2008, respectively.

At December 31, 2010 and 2009, we had letter of credit arrangements with certain financial institutions and vendors, including our landlord, totaling $2.4 million and $2.9 million, respectively. These letters of credit are secured by investments of similar amounts.

The following table represents the fair value hierarchy for our financial assets measured at fair value on a recurring basis as of December 31, 2010 and 2009 (in thousands):

As of December 31, 2010:	Level 1	Level 2	Level 3	Total
Money market funds	$ 16,028	$ —	$ —	$ 16,028
U.S. corporate commercial paper	—	82,361	—	82,361
Obligations of U.S. corporations	—	190,527	—	190,527
Obligations of U.S. government agencies	—	25,289	—	25,289
Cash equivalents and available-for-sale investments	$ 16,028	$ 298,177	$ —	$ 314,205
Cash				1,727
Cash, cash equivalents, and available-for-sale investments				$ 315,932

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2009:	Level 1	Level 2	Level 3	Total
Money market funds	$ 24,585	$ —	$ —	$ 24,585
U.S. corporate commercial paper	—	71,923	—	71,923
Obligations of U.S. corporations	—	160,458	—	160,458
Obligations of U.S. government agencies	—	125,731	—	125,731
Obligations of U.S. states and municipalities	—	4,995	—	4,995
Cash equivalents and available-for-sale investments	$ 24,585	$ 363,107	$ —	$ 387,692
Cash				8,519
Cash, cash equivalents, and available-for-sale investments				$ 396,211

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.

Note 3 — Inventory

Inventory consists of the following (in thousands):

	December 31,	
	2010	2009
Raw materials	$ 6,101	$ 5,937
Work-in-process	—	—
Finished goods	1,165	534
Inventory	$ 7,266	$ 6,471

Inventory is manufactured upon receipt of firm purchase orders from our licensing partners. Inventory includes direct materials, direct labor, and manufacturing overhead and is determined on a first-in, first-out basis. Inventory is stated at the lower of cost or market and is net of reserves of $4.0 million and $3.3 million as of December 31, 2010 and December 31, 2009, respectively. Reserves are determined using specific identification plus an estimated reserve for potential defective or excess inventory based on historical experience or projected usage.

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 4 — Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,	
	2010	2009
Building and leasehold improvements	$ 73,150	$ 62,973
Laboratory equipment	31,871	27,195
Manufacturing equipment	13,386	10,982
Furniture, fixtures and other equipment	22,803	16,876
Depreciable Property and equipment at cost	141,210	118,026
Less: accumulated depreciation	(53,994)	(54,400)
Depreciable Property and equipment, net	87,216	63,626
Construction-in-progress	2,557	14,637
Property and equipment, net	$ 89,773	$ 78,263

Building and leasehold improvements include our commercial manufacturing, clinical manufacturing, research and development and administrative facilities and the related improvements to these facilities. Laboratory and manufacturing equipment include assets that support both our manufacturing and research and development efforts. Construction-in-progress includes assets being built to enhance our manufacturing and research and development facilities. Property and equipment includes assets acquired through capital leases (See Note 6).

During 2010 and 2009, we made advance payments of nil and $4.3 million for equipment that had not been received by December 31, 2010 and December 31, 2009, respectively. These advances were classified as Other Assets on our Consolidated Balance Sheets.

Depreciation expense, including depreciation of assets acquired through capital leases, for the years ended December 31, 2010, 2009, and 2008 was $14.8 million, $12.7 million, and $19.8 million, respectively

On November 29, 2010, we relocated all of our operations formerly located in San Carlos, California, including our corporate headquarters, to our Mission Bay Facility in San Francisco, California. This event triggered a $12.6 million impairment charge for the remaining assets located in San Carlos, which was recognized in November 2010 (see Note 12).

Note 5 — Convertible Subordinated Notes

The outstanding balance of our convertible subordinated notes is as follows (in thousands):

	Semi-Annual Interest Payment Dates	December 31,	
		2010	2009
3.25% Notes due September 2012	March 28, September 28	$214,955	$214,955

Our convertible subordinated 3.25% notes due September 2012 (Notes) are unsecured and subordinated in right of payment to any future senior debt. Costs related to the issuance of these Notes are recorded in other assets in our Consolidated Balance Sheets and are generally amortized to interest expense on a straight-line basis over the contractual life of the Notes. Net unamortized deferred financing costs related to the issuance of the Notes were nil and $1.0 million as of December 31, 2010 and 2009, respectively.

Gain on Extinguishment of Debt

During the fourth quarter of 2008, we repurchased $100.0 million par value of the Notes for $47.8 million. The recognized gain on debt extinguishment of $50.1 million is net of transaction costs of $1.0 million and accelerated amortization of deferred financing costs of $1.1 million.

Conversion and Redemption

The Notes are convertible at the option of the holder at any time on or prior to maturity into shares of our common stock. The Notes have a conversion rate of 46.4727 shares per $1,000 principal amount, which is equal to a conversion price of approximately $21.52 per share. Additionally, at any time prior to maturity, if a fundamental change as defined in the Note agreement occurs, we may be required to pay a make-whole premium on notes converted in connection therewith by increasing the applicable conversion rate.

We may redeem the Notes in whole or in part for cash at a redemption price equal to 100% of the principal amount of the Notes plus any accrued but unpaid interest if the closing price of the common stock has exceeded 150% of the conversion price for at least 20 days in any consecutive 30 day trading period.

Note 6 — Leases

Capital Leases

We lease office space and office equipment under capital lease arrangements. The gross carrying value by major asset class and accumulated depreciation as of December 31, 2010 and 2009 are as follows (in thousands):

	December 31,	
	2010	2009
Building and leasehold improvements	$ 2,117	$ 23,960
Furniture, fixtures and other equipment	195	—
Total assets recorded under capital leases	2,312	23,960
Less: accumulated depreciation	(54)	(10,072)
Net assets recorded under capital leases	$ 2,258	$ 13,888

We lease office space at 201 Industrial Road in San Carlos, California under capital lease arrangements. Under the terms of the lease, rent increases up to 3% annually and the lease termination date is October 5, 2016. As of November 29, 2010, we have ceased use of this space as a result of the relocation of our San Carlos operations and corporate headquarters to San Francisco, California. We currently intend to sublease the San Carlos space, but have not been relieved of any obligations under the terms of this lease. As a result of our relocation, an impairment test was performed for the building and related leasehold improvements located in San Carlos that resulted in an impairment charge of $12.6 million that was recognized in November 2010 (see Note 12).

Future minimum payments for our capital leases at December 31, 2010 are as follows (in thousands):

Years ending December 31,	
2011	$ 4,919
2012	5,026
2013	5,129
2014	5,192
2015	5,280
2016 and thereafter	4,034
Total minimum payments required	$ 29,580
Less: amount representing interest	(10,589)
Present value of future payments	$ 18,991
Less: current portion	(1,977)
Non-current portion	$ 17,014

Operating Leases

On September 30, 2009, we entered into an operating sublease (Sublease) with Pfizer, Inc. for a 102,283 square foot facility located at 455 Mission Bay Boulevard, San Francisco, California (Mission Bay Facility). Upon completion of construction of the Mission Bay Facility, we moved in on November 29, 2010. The Mission Bay Facility includes a research and development center with biology, chemistry, pharmacology, and clinical development capabilities, as well as all of the functions previously located in San Carlos, California, including our corporate headquarters.

Under the terms of the Sublease, we will begin making non-cancelable lease payments in 2014, after the expiration of a free rent period that runs through August 1, 2014. The Sublease term commenced in August 2010 and is 114 months and ends on January 30, 2020. Monthly base rent will start at $2.95 per square foot and will escalate over the term of the sublease at various intervals to $3.42 per square foot in the final period of the Sublease term. Rent expense is being recognized ratably from April 2010, the inception of our tenant improvement construction period, through the end of the Sublease term. In addition, throughout the term of the Sublease, we are responsible for paying certain costs and expenses specified in the Sublease, including insurance costs and a pro rata share of operating expenses and applicable taxes for the Mission Bay Facility.

Our future minimum lease payments under the Sublease are as follows (in thousands):

Years ending December 31,	
2011	$ —
2012	—
2013	—
2014	1,509
2015	3,667
2016 and thereafter	16,144
Total future minimum lease payments	$ 21,320

We recognize rent expense on a straight-line basis over the lease period. For the years ended December 31, 2010, 2009, and 2008, rent expense for operating leases was approximately $2.2 million, $0.7 million, and $3.5 million, respectively.

Note 7 — Commitments and Contingencies

Royalty Expense

We have third party licenses that require us to pay royalties based on our shipment of certain products and/or on our receipt of royalty payments under our collaboration agreements. Royalty expense, which is reflected in cost of goods sold in our Consolidated Statements of Operations, was approximately $2.2 million, $3.9 million, and $4.8 million for the years ended December 31, 2010, 2009, and 2008, respectively. The overall maximum amount of these obligations is based upon sales of the applicable products and cannot be reasonably estimated.

Other Commitments

In the normal course of business we enter into various firm purchase commitments related to contract manufacturing, clinical development and certain other items. As of December 31, 2010, these commitments were approximately $10.2 million, all of which were expected to be paid in 2011.

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 operations of that period or on our cash flows and liquidity.

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, 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.

As part of our pulmonary asset sale to Novartis that closed on December 31, 2008, we and Novartis made representations and warranties and entered into certain covenants and ancillary agreements which are supported by an indemnity obligation. In the event it were determined that we breached any of the representations and warranties or covenants and agreements made by us in the transaction documents, we could incur an indemnification liability 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. If any of our indemnification obligations is triggered, we may incur substantial liabilities. Because the obligated amount under these agreements is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. No liabilities have been recorded for these obligations on our Consolidated Balance Sheets as of December 31, 2010 or 2009.

Indemnification of Underwriters and Initial Purchasers of our Securities

In connection with our sale of equity and convertible debt securities, we have agreed to defend, indemnify and hold harmless our underwriters or initial purchasers, as applicable, as well as certain related parties from and against

certain liabilities, including liabilities under the Securities Act of 1933, as amended. The term of these indemnification obligations is generally perpetual. There is no limitation on the potential amount of future payments we could be required to make under these indemnification obligations. We have never incurred costs to defend lawsuits or settle claims related to these indemnification obligations. If any of our indemnification obligations are triggered, however, we may incur substantial liabilities. Because the obligated amount of this agreement is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, we have not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations in our Consolidated Balance Sheets as of December 31, 2010 or 2009.

Director and Officer Indemnifications

As permitted under Delaware law, and as set forth in our Certificate of Incorporation and our Bylaws, we indemnify our directors, executive officers, other officers, employees, and other agents for certain events or occurrences that may arise while in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is unlimited; however, we have insurance policies that may limit our exposure and may enable us to recover a portion of any future amounts paid. Assuming the applicability of coverage, the willingness of the insurer to assume coverage, and subject to certain retention, loss limits and other policy provisions, we believe any obligations under this indemnification would not be material, other than an initial $500,000 per incident for securities related claims and $250,000 per incident for non-securities related claims retention deductible per our insurance policy. However, no assurances can be given that the covering insurers will not attempt to dispute the validity, applicability, or amount of coverage without expensive litigation against these insurers, in which case we may incur substantial liabilities as a result of these indemnification obligations. Because the obligated amount of this agreement is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, we have not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations in our Consolidated Balance Sheets as of December 31, 2010 or 2009.

Note 8 — Stockholders' Equity

Preferred Stock

We have authorized 10,000,000 shares of Preferred Stock with each share having a par value of $0.0001. Of these shares, 3,100,000 shares are designated Series A Junior Participating Preferred Stock (Series A Preferred Stock). The remaining shares are undesignated. We have no preferred shares issued and outstanding as of December 31, 2010 or 2009.

Series A Preferred Stock

On June 1, 2001, the Board of Directors approved the adoption of a Share Purchase Rights Plan. Terms of the Rights Plan provide for a dividend distribution of one preferred share purchase right for each outstanding share of our Common Stock. The Rights have certain anti-takeover effects and will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our Board of Directors. The dividend distribution was payable on June 22, 2001 to the stockholders of record on that date. Each Right entitles the registered holder to purchase from us one one-hundredth of a share of Series A Preferred Stock at a price of $225.00 per one one-hundredth of a share of Series A Preferred Stock, subject to adjustment. Each one one-hundredth of a share of Series A Preferred Stock has designations and powers, preferences and rights, and the qualifications, limitations and restrictions which make its value approximately equal to the value of one share of common stock.

The Rights are not exercisable until the Distribution Date (as defined in the Certificate of Designation for the Series A Preferred Stock). The Rights will expire on June 1, 2011 unless earlier redeemed or exchanged by us. Each share of Series A Preferred Stock will be entitled to a minimum preferential quarterly dividend payment of $1.00, or if greater than $1.00, will be entitled to an aggregate dividend of 100 times the dividend declared per share of

Common Stock. In the event of liquidation, the holders of the Series A Preferred Stock would be entitled to $100 per share or, if greater than $100, an aggregate payment equal to 100 times the payment made per share of Common Stock. Each share of Series A Preferred Stock will have 100 votes, voting together with the Common Stock. Finally, in the event of any merger, consolidation or other transaction in which our Common Stock is exchanged, each share of Series A Preferred Stock will be entitled to receive 100 times the amount of consideration received per share of Common Stock. The Series A Preferred Stock would rank junior to any other future series of preferred stock. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder, including, without limitation, the right to vote or to receive dividends.

Reserved Shares

At December 31, 2010, we have reserved shares of common stock for issuance as follows (in thousands):

	As of December 31, 2010
Convertible subordinated notes	9,989
Equity compensation plans	27,263
Total	37,252

Equity Compensation Plans

The following table summarizes information with respect to shares of our common stock that may be issued under our existing equity compensation plans as of December 31, 2010 (share number in thousands):

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options & Vesting of RSUs (a)(1)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders(2)	10,028	$ 9.12	9,232
Equity compensation plans not approved by security holders	7,069	$ 9.84	909
Total	17,097	$ 9.40	10,141

(1) Does not include options to purchase 25,546 shares of our common stock we assumed in connection with the acquisition of Shearwater Corporation (with a weighted-average exercise price of $0.03 per share).

(2) Includes shares of common stock available for future issuance under our ESPP as of December 31, 2010.

2008 Equity Incentive Plan

Our 2008 Equity Incentive Plan (2008 Plan) was adopted by the Board of Directors on March 20, 2008 and was approved by our stockholders on June 6, 2008. The purpose of the 2008 Equity Incentive Plan is to attract and retain qualified personnel, to provide additional incentives to our employees, officers, consultants and employee directors and to promote the success of our business. Pursuant to the 2008 Plan, we may grant or issue incentive stock options to employees and officers and non-qualified stock options, rights to acquire restricted stock, restricted stock units, and stock bonuses to consultants, employees, officers and non-employee directors.

The maximum number of shares of our common stock that may be issued or transferred pursuant to awards under the 2008 Plan is 9,000,000 shares. Shares issued in respect of any stock bonus or restricted stock award

granted under the 2008 Plan will be counted against the plan's share limit as 1.5 shares for every one share actually issued in connection with the award. The 2008 Plan will terminate on March 20, 2018, unless earlier terminated by the Board of Directors.

The maximum term of a stock option under the 2008 Equity Incentive Plan is eight years, but if the optionee at the time of grant has voting power of more than 10% of our outstanding capital stock, the maximum term of an incentive stock option is five years. The exercise price of stock options granted under the 2008 Plan must be at least equal to 100% (or 110% with respect to holders of more than 10% of the voting power of our outstanding capital stock) of the fair market value of the stock subject to the option as determined by the closing price of our common stock on the Nasdaq Global Market on the date of grant.

To the extent that shares are delivered pursuant to the exercise of a stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits of the 2008 Plan, as opposed to only counting the shares actually issued. Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest or for any other reason are not paid or delivered under the 2008 Plan will again be available for subsequent awards under the 2008 Plan.

2000 Equity Incentive Plan

On April 19, 2000, our Board of Directors adopted the 2000 Equity Incentive Plan (2000 Plan) by amending and restating our 1994 Equity Incentive Plan. On February 9, 2010, the 2000 Plan expired. As a result, no new options may be granted, but existing options granted remain outstanding. The purpose of the 2000 Equity Incentive Plan was to attract and retain qualified personnel, to provide additional incentives to our employees, officers, consultants and employee directors and to promote the success of our business. Pursuant to the 2000 Plan, we granted or issued incentive stock options to employees and officers and non-qualified stock options, rights to acquire restricted stock, restricted stock units, and stock bonuses to consultants, employees, officers and non-employee directors.

The maximum term of a stock option under the 2000 Plan is eight years, but if the optionee at the time of grant has voting power of more than 10% of our outstanding capital stock, the maximum term of an incentive stock option is five years. The exercise price of incentive stock options granted under the 2000 Equity Incentive Plan must be at least equal to 100% (or 110% with respect to holders of more than 10% of the voting power of our outstanding capital stock) of the fair market value of the stock subject to the option as determined by the closing price of our common stock on the Nasdaq Global Market on the date of grant.

2000 Non-Officer Equity Incentive Plan

The 1998 Non-Officer Equity Incentive Plan was adopted by our Board of Directors on August 18, 1998, and was amended and restated in its entirety and renamed the 2000 Non-officer Equity Incentive Plan on June 6, 2000 (2000 Non-Officer Plan). The purpose of the 2000 Non-Officer Plan is to attract and retain qualified personnel, to provide additional incentives to employees and consultants and to promote the success of our business. Pursuant to the 2000 Non-Officer Plan, we may grant or issue non-qualified stock options, rights to acquire restricted stock and stock bonuses to employees and consultants who are neither Officers nor Directors of Nektar. The maximum term of a stock option under the 2000 Non-Officer Plan is eight years. The exercise price of stock options granted under the 2000 Non-Officer Plan are determined by our Board of Directors by reference to the closing price of our common stock on the Nasdaq Global Market.

Non-Employee Directors' Stock Option Plan

On February 10, 1994, our Board of Directors adopted the Non-Employee Directors' Stock Option Plan under which options to purchase up to 400,000 shares of our Common Stock at the then fair market value may be granted

to our non-employee directors. There were no remaining options available for grant under this plan as of December 31, 2009.

Restricted Stock Units

During the years ended December 31, 2010, 2009 and 2008, we issued RSU awards to certain officers, non-employees, directors, employees and consultants. RSU awards are similar to restricted stock in that they are issued for no consideration; however, the holder generally is not entitled to the underlying shares of common stock until the RSU award vests. Also, because the RSU awards are issued for $0.01 per share, the grant-date fair value of the award is equal to the intrinsic value of our common stock on the date of grant. The RSU awards were issued under both the 2000 Plan and the 2000 Non-Officer Plan and are settled by delivery of shares of our common stock on or shortly after the date the awards vest.

Beginning with shares granted during 2005, each RSU award depletes the pool of options available for grant under our equity incentive plans by a ratio of 1:1.5.

Employee Stock Purchase Plan

In February 1994**,** our Board of Directors adopted the ESPP pursuant to section 423(b) of the Internal Revenue Code of 1986. Under the ESPP, 1,500,000 shares of our common stock have been authorized for issuance. The terms of the ESPP provide eligible employees with the opportunity to acquire an ownership interest in Nektar through participation in a program of periodic payroll deductions for the purchase of our common stock. Employees may elect to enroll or re-enroll in the ESPP on a semi-annual basis. Stock is purchased at 85% of the lower of the closing price on the first day of the enrollment period or the last day of the enrollment period.

401(k) Retirement Plan

We sponsor a 401(k) retirement plan whereby eligible employees may elect to contribute up to the lesser of 60% of their annual compensation or the statutorily prescribed annual limit allowable under Internal Revenue Service regulations. The 401(k) plan permits us to make matching contributions on behalf of all participants, up to a maximum of $3,000 per participant. For the years ended December 31, 2010, 2009, and 2008, we recognized $1.0 million, $0.8 million, and $1.1 million, respectively, of compensation expense in connection with our 401(k) retirement plan.

Change in Control Severance Plan

On December 6, 2006, our Board of Directors approved a Change of Control Severance Benefit Plan (CIC Plan) and on February 14, 2008, October 21, 2008, September 14, 2010, and December 7, 2010, our Board of Directors amended and restated the CIC Plan. The CIC Plan is designed to make certain benefits available to eligible employees of the Company in the event of a change of control of the Company and, following such change of control, an employee's employment with the Company or a successor company is terminated in certain specified circumstances. We adopted the CIC Plan to support the continuity of the business in the context of a change of control transaction. The CIC Plan was not adopted in contemplation of any specific change of control transaction. A brief description of the material terms and conditions of the CIC Plan is provided below.

Under the CIC Plan, in the event of a change of control of the Company and a subsequent termination of employment initiated by the Company or a successor company other than for Cause (as defined in the CIC Plan) or initiated by the employee for a Good Reason Resignation (as defined in the CIC Plan) in each case within twelve months following a change of control transaction, (i) the Chief Executive Officer would be entitled to receive cash severance pay equal to 24 months base salary plus annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of unvested outstanding equity awards, and (ii) the Senior Vice Presidents and Vice Presidents (including Principal Fellows) would each be entitled to receive cash severance pay

equal to twelve months base salary plus annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of unvested outstanding equity awards. In the event of a change of control of the Company and a subsequent termination of employment initiated by the Company or a successor company other than for cause within twelve months following a change of control transaction, all other employees would each be entitled to receive cash severance pay equal to 6 months base salary plus a pro-rata portion of annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of each such employee's unvested outstanding equity awards.

On December 6, 2006, our Board of Directors approved an amendment to all outstanding stock awards held by non-employee directors to provide for full acceleration of vesting in the event of a change of control transaction.

Note 9 — License and Collaboration Agreements

We have entered into various license agreements and collaborative research and development agreements with pharmaceutical and biotechnology companies. Under these arrangements, we are entitled to receive license fees, upfront payments, milestone payments when and if certain development or regulatory milestones are achieved, and/or reimbursement for research and development activities. All of our research and development agreements are generally cancelable by our partners without significant financial penalty to the partner. Our costs of performing these services are included in Research and development expense.

In accordance with these agreements, we recorded License, collaboration and other revenue as follows (in thousands):

Partner	Agreement	Years Ended December 31, 2010	2009	2008
AstraZeneca AB	NKTR-118 and NKTR-119	$ 107,854	$ 25,073	$ —
Hoffmann — La Roche	Pegasys	5,131	214	1,000
Bayer Healthcare LLC	BAY41-6651 (Amikacin Inhale, formerly NKTR-061)	3,300	4,928	10,054
Amgen, Inc.	Neulasta	833	—	—
Novartis Vaccines and Diagnostics, Inc.	Tobramycin inhalation powder (TIP)	—	564	13,723
Bayer Schering Pharma AG	Cipro Inhale (CIP)	—	—	11,653
Other		7,254	5,864	12,500
License, collaboration and other revenue		$ 124,372	$ 36,643	$ 48,930

AstraZeneca AB

NKTR-118 and NKTR-119

On September 20, 2009, we entered into a License Agreement with AstraZeneca AB, a Swedish corporation (AstraZeneca), under which we granted AstraZeneca a worldwide, exclusive, perpetual, royalty-bearing, and sublicensable license under our patents and other intellectual property to develop, sell and otherwise commercially exploit NKTR-118 and NKTR-119. AstraZeneca is responsible for all costs associated with research, development and commercialization and will control product development and commercialization decisions for NKTR-118 and NKTR-119. Under the terms of the agreement, AstraZeneca paid us an upfront payment of $125.0 million, which we received in the fourth quarter of 2009, of which we recognized $101.4 million and $23.6 million as License, collaboration and other revenue in the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010, we have completed our obligations under the license agreement and related manufacturing technology transfer agreement. We are also entitled to development milestones and sales milestones upon achievement of

certain annual sales targets and royalties based on annual worldwide net sales of NKTR-118 and NKTR-119 products. We recognized $6.5 million and $1.5 million in reimbursements from AstraZeneca for technology transfer, clinical supply, and other contract development services during the years ended December 31, 2010 and 2009, respectively.

F. Hoffmann- La Roche Ltd and Hoffmann-LaRoche Inc.

PEGASYS

In February 1997, we entered into a license, manufacturing and supply agreement with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (Roche), under which we granted Roche a worldwide, exclusive license to use certain PEGylation materials in the manufacture of PEGASYS. As a result of Roche exercising a license extension option in December 2009, Roche has the right to manufacture all of its requirements for our proprietary PEGylation materials for PEGASYS and we would perform additional manufacturing, if any, only on an as-requested basis. In connection with Roche's exercise of the license option extension in December 2009, we received a payment of $31.0 million of which we have recognized $5.1 million and $0.2 million during the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010, we have deferred revenue of approximately $25.7 million related to this agreement, which we expect to recognize over the period through which we are required to provide back-up manufacturing and supply services on an as-requested basis.

Bayer Healthcare LLC

BAY41-6651 (Amikacin Inhale, formerly NKTR-061)

On August 1, 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 any future development of the nebulizer device included in the Amikacin product through the completion of Phase 3 clinical trial, scale-up for commercialization, and commercial manufacturing and supply. 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 Amikacin Inhale and final product packaging. We received an upfront payment of $40.0 million in 2007 and performance milestone payments of $20.0 million, of which the second milestone of $10.0 million will be used to reimburse Bayer for Phase 3 clinical trial costs, and we have recognized as revenue $3.3 million, $5.0 million, and $10.1 million during the years ended December 31, 2010, 2009, and 2008, respectively. As of December 31, 2010, we have deferred revenue of approximately $30.5 million, which we expect to amortize through July 2021, the estimated end of the life of the agreement. We are entitled to development milestones and sales milestones upon achievement of certain development milestones and annual sales targets and royalties based on annual worldwide net sales of Amikacin Inhale.

Amgen, Inc.

Neulasta

On October 29, 2010, we amended and restated an existing supply agreement by entering into a supply, dedicated suite and manufacturing guarantee 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 guarantee the manufacture and supply of our proprietary PEGylation materials (Polymer Materials) to Amgen in an existing manufacturing suite to be used exclusively for the manufacture of Polymer Materials for Amgen (the Manufacturing Suite) in Nektar's manufacturing facility in Huntsville, Alabama (Facility). This supply arrangement is on a non-exclusive basis (other than the use of the Manufacturing Suite and certain equipment) whereby Nektar is free to manufacture and supply the Polymer Materials to any other third party and Amgen is free to procure the Polymer Materials from any other third party. Under the terms of the agreement, Nektar received a $50.0 million payment in return for Nektar guaranteeing its supply of certain quantities of Polymer Materials to

Amgen including without limitation the Additional Rights described below and manufacturing fees that are calculated based on fixed and variable components applicable to the Polymer Materials ordered by Amgen and delivered by Nektar. Amgen has no minimum purchase commitments. If quantities of the Polymer Materials ordered by Amgen exceed specified quantities, significant additional payments become payable to Nektar in return for Nektar guaranteeing its supply of additional quantities of the Polymer Materials.

The term of the amended and restated supply agreement runs through October 29, 2020. In the event we become subject to a bankruptcy or insolvency proceeding, we cease to own or control the Facility, we fail to manufacture and supply or certain other events, Amgen or its designated third party will have the right to elect, among certain other options, to take title to the dedicated equipment and access the Facility to operate the Manufacturing Suite solely for the purpose of manufacturing the Polymer Materials (the Additional Rights). Amgen may terminate the amended and restated agreement for convenience or due to an uncured material default by us.

We recognized $0.8 million of the $50.0 million upfront payment as revenue during the year ended December 31, 2010. As of December 31, 2010, we have deferred revenue of approximately $49.2 million, which we expect to amortize through October 2020, the estimated end of our obligations under the agreement.

Novartis

Tobramycin inhalation powder (TIP)

We were party to a collaborative research, development and commercialization agreement with Novartis Vaccines and Diagnostics, Inc. related to the development of Tobramycin inhalation powder (TIP) for the treatment of lung infections caused by the bacterium *Pseudomonas aeruginosa* in cystic fibrosis patients, which was terminated on December 31, 2008 in connection with the Novartis Pulmonary Asset Sale. As part of the termination we relinquished our rights to future research and development funding and milestone payments as well as to any future royalty payments or manufacturing revenue. Prior to the termination, we were reimbursed for the cost of work performed on a revenue per annual full-time equivalent (FTE) basis, plus out of pocket third party costs. Revenue recognized approximated the cost associated with these reimbursable services and was nil, $0.6 million, and $14.3 million during the years ended December 31, 2010, 2009, and 2008, respectively.

Bayer Schering Pharma AG

Cipro Inhale

We were party to a collaborative research, development and commercialization agreement with Bayer Schering Pharma AG related to the development of an inhaled powder formulation of Cipro Inhale for the treatment of chronic lung infections caused by *Pseudomonas aeruginosa* in cystic fibrosis patients. As of December 31, 2008, we assigned this agreement to Novartis Pharma AG although we retained our economic interest in the right to receive potential royalties in the future based on net product sales if Cipro Inhale receives regulatory approval and is successfully commercialized (See Note 10). Prior to the termination, we were reimbursed for the cost of work performed on a revenue per annual FTE basis and out of pocket third party costs, as well as milestone and upfront fees. Revenue recognized approximated the cost associated with these reimbursable services and totaled nil, nil, and $10.3 million during the years ended December 31, 2010, 2009, and 2008, respectively.

Note 10 — Novartis Pulmonary Asset Sale

On December 31, 2008, we completed the sale of certain assets related to our pulmonary business, associated technology and intellectual property to Novartis Pharma AG and Novartis Pharmaceuticals Corporation (together referred to as Novartis) for a purchase price of $115.0 million in cash (the Novartis Pulmonary Asset Sale). Pursuant

to the asset purchase agreement entered between Novartis and us, we transferred to Novartis certain assets and obligations related to our pulmonary technology, development and manufacturing operations including:

- dry powder and liquid pulmonary technology platform including but not limited to our pulmonary inhalation devices, formulation technology, manufacturing technology and related intellectual property;
- manufacturing and associated development services payments for the Cipro Inhale program;
- manufacturing and royalty rights to the TIP program;
- capital equipment, information systems and facility lease obligations for our pulmonary development and manufacturing facility in San Carlos, California;
- certain other interests that we had in two private companies, Pearl Therapeutics, Inc. and Stamford Devices Limited; and
- approximately 140 of our personnel primarily dedicated to our pulmonary technology, development programs, and manufacturing operations, whom Novartis hired immediately following the closing of the transaction.

We have retained all of our rights to Amikacin Inhale partnered with Bayer, certain royalty rights on commercial sales of Cipro Inhale by Bayer Schering Pharma AG, the rights to inhaled vancomycin development program, and certain intellectual property rights specific to inhaled insulin. We also entered into a service agreement pursuant to which we have subcontracted to Novartis certain services to be performed related to Amikacin Inhale and a transition services agreement in which Novartis and we each provided each other with specified services for a limited time period following the closing of the Novartis Pulmonary Asset Sale to facilitate the transition of the acquired assets and business from us to Novartis.

Gain on sale of pulmonary assets

On December 31, 2008, we recognized a Gain on sale of pulmonary assets for certain assets sold to Novartis, which is comprised of the following (in thousands):

	Year Ended December 31, 2008
Proceeds from sale of certain pulmonary assets	$ 115,000
Transaction costs(1)	(4,609)
Net book value of property and equipment sold	(37,291)
Equity investment in Pearl Therapeutics, net	(2,658)
Goodwill related to pulmonary assets sold	(1,930)
Other, net	1,060
Gain on sale of pulmonary assets	$ 69,572

(1) Transaction costs of $4.4 million related to the Novartis Pulmonary Asset Sale were paid in 2009.

Additional Costs

In addition to the transaction costs recorded as part of the gain, we recognized approximately nil, $0.1 million and $2.7 million of additional costs in connection with the Novartis Pulmonary Asset Sale for the years ended December 31, 2010, 2009 and 2008, respectively, of one-time employee termination and other costs that were recorded in Research and development expense in our Consolidated Statement of Operations. All costs incurred have been paid as of December 31, 2010.

Note 11 — Termination of Pfizer Agreements and Inhaled Insulin Program

On November 9, 2007, we entered into a termination agreement and mutual release of our collaborative development and license agreement with Pfizer and all other related agreements (Pfizer agreements). Under the termination agreement, we received a one-time payment of $135.0 million in November 2007 from Pfizer in satisfaction of all outstanding contractual obligation under our existing agreements related to inhaled insulin development and commercialization. Contractual obligations included billed and unbilled product sales and contract research revenue through November 9, 2007, outstanding accounts receivable and unrecovered capital costs as of November 9, 2007, and contract termination costs.

On February 12, 2008, we entered into a Termination and 2008 Continuation Agreement (TCA) with Tech Group North America, Inc. (Tech Group) pursuant to which the manufacturing and supply agreement for the Exubera inhaler device (Exubera Inhaler MSA) was terminated in its entirety and we agreed to pay Tech Group $13.8 million in termination costs and $4.8 million in satisfaction of outstanding accounts payable. As part of the TCA, we agreed to compensate Tech Group to retain a limited number of core Exubera inhaler manufacturing personnel and its dedicated Exubera inhaler manufacturing facility for a limited period in 2008. We also entered into a letter agreement with Pfizer to retain a limited number of Exubera manufacturing personnel at Pfizer's Terre Haute, Indiana, manufacturing facility during March and April 2008.

On February 14, 2008, we entered into a Termination and Mutual Release Agreement with Bespak Europe Ltd. (Bespak) pursuant to which the Exubera Inhaler MSA was terminated in its entirety and we agreed to pay Bespak £11.0 million, or approximately $21.6 million, including $3.0 million in satisfaction of outstanding accounts payable and $18.6 million in termination costs and expenses that were due and payable under the termination provisions of the Exubera Inhaler MSA, which included reimbursement of inventory, inventory purchase commitments, unamortized depreciation on property and equipment, severance costs and operating lease commitments.

On April 9, 2008, we announced that we had ceased all negotiations with potential partners for Exubera and the next generation inhaled insulin program as a result of new data analysis from ongoing clinical trials conducted by Pfizer which indicated an increase in the number of new cases of lung cancer in Exubera patients who were former smokers as compared to patients in the control group who were former smokers. Following the termination of our inhaled insulin programs on April 9, 2008, we terminated our continuation agreements with Tech Group and Pfizer.

Idle Exubera Manufacturing Capacity Costs

Idle Exubera manufacturing capacity costs, which are recognized as a component of Other cost of revenue, include costs payable to Pfizer and Tech Group under our continuation agreements and internal salaries, benefits and stock-based compensation related to Exubera commercial manufacturing employees, overhead at our San Carlos manufacturing facility, including rent, utilities and maintenance and depreciation of property and equipment. We incurred these costs from the termination of the Pfizer Agreements on November 9, 2007 through the termination of our inhaled insulin programs in April 2008. For the years ended December 31, 2010, 2009 and 2008, we recognized idle Exubera manufacturing capacity costs of nil, nil, and $6.8 million, respectively.

Note 12 — Impairment of Long Lived Assets

During the years ended December 31, 2010, 2009, and 2008, we recorded charges for the impairment of long-lived assets of $12.6 million, nil, and $1.5 million, respectively.

On November 29, 2010, we ceased use of the San Carlos facility as a result of our relocation to the Mission Bay Facility. The remaining assets at the San Carlos location consist of the building capital lease and related leasehold improvements, which we currently intend to sublease through the lease termination date. As a result of our relocation, we performed an impairment analysis on these assets. We concluded that the carrying values of the building and leasehold improvements exceeded their fair values based on a probability-weighted discounted cash

flow model of the future estimated net sublease income and recorded an impairment loss of $12.6 million. As of December 31, 2010, the remaining net book value of these assets is $2.1 million.

During 2008, we determined that a specialized dryer used in our PEGylation manufacturing facility was not functioning properly and was not being used in operations currently. We performed an impairment analysis and determined the carrying value of the dryer exceeded its fair value based on a discounted cash flow model. As a result, we recorded an impairment loss for the related net book value of $1.5 million.

Note 13 — Workforce Reduction Plans

In an effort to reduce ongoing operating costs and improve our organizational structure, efficiency and productivity, we executed workforce reduction plans in May 2007 (2007 Plan) and February 2008 (2008 Plan) designed to streamline the Company, consolidate corporate functions, and strengthen decision-making and execution. The 2007 Plan and 2008 Plan reduced our workforce by approximately 290 full-time employees; both plans were substantially complete at December 31, 2008. For the years ended December 31, 2010, 2009, and 2008 workforce reduction charges, comprised of severance, medical insurance, and outplacement services, were as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Cost of goods sold	$ —	$ —	$ 148
Other cost of revenue	—	—	1,221
Research and development expense	—	—	3,087
General and administrative expense	—	—	517
Total workforce reduction charges	$ —	$ —	$ 4,973

Note 14 — Stock-Based Compensation

We issued stock-based awards from our equity incentive plans, which are more fully described in Note 8. Stock-based compensation cost was recorded as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Cost of goods sold	$ 915	$ 295	$ 269
Research and development	7,218	3,377	4,642
General and administrative	9,266	6,654	4,960
Total stock-based compensation costs	$ 17,399	$ 10,326	$ 9,871

For the years ended December 31, 2010, 2009, and 2008, we recorded approximately $0.5 million, $0.8 million, and $2.2 million, respectively, of stock-based compensation expense related to modifications of certain stock grants in connection with employment separation agreements. Generally, the modifications extended the option holder's exercise period beyond the 90 day period after termination and accelerated a portion of the option holder's unvested grants. Stock-based compensation charges are non-cash charges and as such have no impact on our reported cash flows.

As of December 31, 2010, total unrecognized compensation expense of $37.1 million related to unvested stock-based compensation arrangements is expected to be recognized over a weighted-average period of 1.87 years.

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Black-Scholes Assumptions

The following tables list the Black-Scholes option-pricing model assumptions used to calculate the fair value of employee stock options and ESPP purchases.

	Year Ended December 31, 2010		Year Ended December 31, 2009		Year Ended December 31, 2008	
	Employee Stock Options	ESPP	Employee Stock Options	ESPP	Employee Stock Options	ESPP
Average risk-free interest rate	1.8%	0.2%	1.6%	0.3%	2.5%	2.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Volatility factor	62.7%	47.8%	61.0%	82.4%	51.6%	72.3%
Weighted average expected life	4.9 years	0.5 years	4.9 years	0.5 years	5.0 years	0.5 years

The average risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grants for periods commensurate with the expected life of the stock-based award. We have never paid dividends, nor do we expect to pay dividends in the foreseeable future; therefore, we used a dividend yield of 0.0%. Our estimate of expected volatility is based on the daily historical trading data of our common stock over a historical period commensurate with the expected life of the stock-based award.

For the year ended December 31, 2010, we estimated the weighted-average expected life based on the contractual and vesting terms of the stock options, as well as historic cancellation and historic exercise data. For the years ended December 31, 2009 and 2008, the weighted-average expected life was determined using the “simplified” method, in which the expected life was based on the average of the vesting term and the contractual life of the option, as permitted under Staff Accounting Bulletin Topic 14.D.2. We used this method because we believed that applying historical data for options and awards during these years was not a true reflection of future exercise patterns and timelines. The change in method did not result in a significant difference in weighted average expected life.

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summary of Stock Option Activity

The table below presents a summary of stock option activity under our equity incentive plans (in thousands, except for price per share and contractual life information):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value(1)
Balance at December 31, 2007	12,212	$ 15.62		
Options granted	6,180	6.02		
Options exercised	(39)	5.72		
Options forfeited & canceled	(4,802)	12.93		
Balance at December 31, 2008	13,551	$ 12.13		
Options granted	4,608	5.53		
Options exercised	(714)	6.58		
Options forfeited & canceled	(3,437)	15.53		
Outstanding at December 31, 2009	14,008	$ 9.41		
Options granted	5,267	11.93		
Options exercised	(1,151)	7.25		
Options forfeited & canceled	(1,225)	22.31		
Outstanding at December 31, 2010	16,899	$ 9.40	5.34	$ 70,443
Vested & expected to vest at December 31, 2010	15,817	$ 9.37	5.27	$ 66,818
Exercisable at December 31, 2010	8,409	$ 9.55	4.51	$ 37,901

(1) Aggregate Intrinsic Value represents the difference between the exercise price of the option and the closing market price of our common stock on December 31, 2010.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2010, 2009, and 2008 was $6.30, $2.86, and $2.79, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008 was $6.8 million, $1.4 million, and nil, respectively. The estimated fair value of options vested during the years ended December 31, 2010, 2009, and 2008 was $14.7 million, $9.0 million, and $9.8 million, respectively.

RSU Awards

We issued RSU awards to certain officers and employees; the RSU awards granted in 2006 vest upon achievement of pre-determined performance milestones, while the RSU awards granted in 2007 and 2008 have a time-based vesting schedule. We expense the grant date fair value of the RSU awards ratably over the expected service or performance period.

We granted 1,088,300 performance-based RSU awards in 2006, which included three pre-determined milestones. The first performance milestone was achieved and the RSU awards were vested and released in 2007. In 2007, we determined the second performance milestone would not be achieved and we reversed previously recorded compensation expense of $2.8 million. We currently expect the third milestone will be achieved in 2013. If our actual experience in future periods differs from these current estimates, we may change our estimate of the period in which the milestone will be achieved and prospectively adjust the amortization period of the stock based compensation expense associated with these awards.

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of RSU award activity is as follows (in thousands except for per share amounts):

	Units Issued	Weighted-Average Grant-Date Fair value	Aggregate Intrinsic Value(1)
Balance at December 31, 2007	735		
Granted	48	$ 5.26	
Released	(107)		
Forfeited & canceled	(411)		
Balance at December 31, 2008	265		
Granted	35	$ 8.37	
Released	(28)		
Forfeited & canceled	(37)		
Balance at December 31, 2009	235		
Granted	22	$ 11.66	
Released	(25)		
Forfeited & canceled	(9)		
Balance at December 31, 2010	223		$ 2,868

(1) Aggregate Intrinsic Value represents the difference between the grant price of the award and the closing market price of our common stock on December 31, 2010.

Note 15 — Income Taxes

For financial reporting purposes, “Loss before provision for income taxes,” includes the following components (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Domestic	$ (39,321)	$ (103,295)	$ (69,350)
Foreign	2,264	523	34,208
Total	$ (37,057)	$ (102,772)	$ (35,142)

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes consists of the following (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Current:			
Federal	$ 1	$ (522)	$ (970)
State	2	(28)	(69)
Foreign	698	352	519
Total Current	701	(198)	(520)
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	180	(55)	(286)
Total Deferred	180	(55)	(286)
Provision (benefit) for income taxes	$ 881	$ (253)	$ (806)

In 2010, we received a federal tax refund of $0.5 million relating to fiscal year 2009 as a result of the American Recovery and Reinvestment Act of 2009, which allowed us to utilize previously recorded deferred tax assets.

Income tax provision (benefit) related to continuing operations differs from the amount computed by applying the statutory income tax rate of 35% to pretax loss as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
U.S. federal benefit			
At statutory rate	$ (12,970)	$ (35,970)	$ (12,300)
State taxes	2	(28)	(69)
Change in valuation allowance	15,123	34,327	29,768
Foreign tax differential	86	114	(11,754)
Unrecognized tax credits	(1,833)	(882)	(2,366)
Expiring tax attributes	—	1,569	1,508
Capital lease true-up	—	—	(1,431)
Foreign subsidiary investment	—	—	(4,777)
Other	473	617	615 -
Total	$ 881	$ (253)	$ (806)

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for

income tax purposes. Significant components of our deferred tax assets for federal and state income taxes are as follows (in thousands):

	December 31, 2010	December 31, 2009
Deferred tax assets:		
Net operating loss carryforwards	$ 331,749	$ 321,874
Research and other credits	49,657	48,186
Capitalized research expenses	5,797	6,905
Deferred revenue	31,411	34,226
Depreciation	11,167	—
Reserve and accruals	4,895	5,184
Stock-based compensation	28,157	22,303
Other	4,275	4,812
Deferred tax assets before valuation allowance	467,108	443,490
Valuation allowance for deferred tax assets	(466,949)	(442,473)
Total deferred tax assets	159	1,017
Deferred tax liabilities:		
Depreciation	—	(678)
Total deferred tax liabilities	—	(678)
Net deferred tax assets	$ 159	$ 339

Realization of our deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Because of our lack of U.S. earnings history, the net U.S. deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $24.5 million and $39.6 million during the years ended December 31, 2010 and 2009, respectively. The valuation allowance includes approximately $35.6 million of benefit at both December 31, 2010 and December 31, 2009 related to stock-based compensation and exercises, prior to the implementation of ASC 515 and 718, that will be credited to additional paid in capital when realized.

Undistributed earnings of our foreign subsidiary in India are considered to be permanently reinvested and accordingly, no deferred U.S. income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to U.S. income tax. At the present time it is not practicable to estimate the amount of U.S. income taxes that might be payable if these earnings were repatriated.

Net Operating Loss and Tax Credit Carryforwards

As of December 31, 2010, we had a net operating loss carryforward for federal income tax purposes of approximately $815.6 million, portions of which will begin to expire in 2011. We had a total state net operating loss carryforward of approximately $537.9 million, which will begin to expire in 2011. Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the “change in ownership” provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses and credits before utilization. During January 2011, we sold 19 million shares of our common stock to the public. We do not believe this event will create a “change in ownership” but future stock activity in combination with the January 2011 stock issuance may create a future ownership change. If a future change in ownership is created, we may be subject to additional limitations on the use of our net operating losses and credits.

We have federal research credits of approximately $23.0 million, which will begin to expire in 2019 and state research credits of approximately $13.6 million which have no expiration date. We have federal orphan drug credits of $12.8 million which will begin to expire in 2026. These tax credits are subject to the same limitations discussed above.

Unrecognized tax benefits

We have incurred net operating losses since inception and we do not have any significant unrecognized tax benefits. Our policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes in the consolidated statements of operations. If we are eventually able to recognize our uncertain positions, our effective tax rate would be reduced. We currently have a full valuation allowance against our net deferred tax asset which would impact the timing of the effective tax rate benefit should any of these uncertain tax positions be favorably settled in the future. Any adjustments to our uncertain tax positions would result in an adjustment of our net operating loss or tax credit carry forwards rather than resulting in a cash outlay.

We file income tax returns in the U.S., California, Alabama, India and the U.K. We are currently not the subject of any income tax examinations. Because of net operating loss and research credit carryovers, substantially all of our tax years remain open to examination.

We have the following activity relating to unrecognized tax benefits (in thousands):

	December 31,		
	2010	2009	2008
Beginning balance	$ 13,084	$ 11,660	$ 9,222
Tax positions related to current year			
Additions:			
Federal	259	415	1,274
State	208	318	1,164
Reductions	—	—	—
Tax positions related to prior year			
Additions:		—	—
Federal	—	—	—
State	—	691	—
Reductions	(493)	—	—
Settlements	—	—	—
Lapses in statute of limitations	—	—	—
Ending balance	$ 13,058	$ 13,084	$ 11,660

Although it is reasonably possible that certain unrecognized tax benefits may increase or decrease within the next twelve months due to tax examination changes, settlement activities, expirations of statute of limitations, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities, we do not anticipate any significant changes to unrecognized tax benefits over the next 12 months. During the years ended December 31, 2010 and 2009, no interest or penalties were required to be recognized relating to unrecognized tax benefits.

Note 16 — Segment Reporting

We operate in one business segment which focuses on applying our technology platforms to improve the performance of established and novel medicines. 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. Within our one business segment we have two components, PEGylation technology and pulmonary technology.

Our revenue is derived primarily from clients in the pharmaceutical and biotechnology industries. Revenue from AstraZeneca AB represented 68% of our revenue for the year ended December 31, 2010. Two of our partners, AstraZeneca AB and UCB Pharma, represented 35% and 17%, respectively, of our total revenue during the year ended December 31, 2009. Four of our partners, Bayer (including Bayer Healthcare LLC and Bayer Schering Pharma AG), UCB Pharma, Novartis, and Roche represented 24%, 16%, 15%, and 14%, respectively, of our total revenue during the year ended December 31, 2008.

Revenue by geographic area is based on the locations of our partners. The following table sets forth revenue by geographic area (in thousands):

	Years Ended December 31,		
	2010	2009	2008
United States	$ 29,636	$ 29,511	$ 30,800
European countries	129,403	42,420	59,385
Total revenue	$ 159,039	$ 71,931	$ 90,185

At December 31, 2010, $71.5 million, or approximately 80%, of the net book value of our property and equipment was located in the United States and $18.3 million, or approximately 20%, was located in India. At December 31, 2009, approximately $64.5 million, or approximately 82%, of the net book value of our property and equipment of $78.3 million was located in the United States and $13.8 million, or approximately 18%, was located in India.

Note 17 — Subsequent Event

On January 24, 2011, we completed the issuance and sale of 19,000,000 shares of our common stock. The price to the public in this offering was $11.85 per share, and the underwriter purchased the shares from Nektar pursuant to the Underwriting Agreement at a price of $11.60 per share. The proceeds to Nektar from this offering were approximately $220.4 million. Additionally, we incurred approximately $0.6 million in legal and accounting fees, filing fees, and other offering expenses.

Note 18 — Selected Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly financial data. In our opinion, the unaudited information set forth below has been prepared on the same basis as the audited information and includes all adjustments necessary to present fairly the information set forth herein. We have experienced fluctuations in our quarterly results. We expect these fluctuations to continue in the future. Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results will not be meaningful, and you should not rely on our results for any one quarter as an indication of our future performance. Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period presentation. Such

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reclassifications have not impacted previously reported revenues, operating loss or net loss. All data is in thousands except per share information.

	Fiscal Year 2010				Fiscal Year 2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Product sales and royalties	$ 3,584	$11,154	$ 7,230	$ 12,699	$ 6,470	$ 10,525	$ 7,461	$10,832
License, collaboration and other revenue	$29,653	$31,409	$30,695	$ 32,615	$ 3,241	$ 2,463	$ 2,762	$28,177
Gross profit on product sales	$ (712)	$ 6,265	$ 985	$ 2,462	$ 844	$ 146	$ 1,327	$ 2,023
Research and development expenses	$23,286	$25,600	$27,724	$ 31,455	$ 23,363	$ 24,002	$ 23,031	$24,713
General and administrative expenses	$ 9,013	$10,207	$10,181	$ 11,585	$ 11,020	$ 9,087	$ 9,917	$10,982
Impairment of long lived assets	$ —	$ —	$ —	$ 12,576	$ —	$ —	$ —	$ —
Operating (loss) income	$ (3,358)	$ 1,867	$ (6,225)	$(20,539)	$(30,298)	$(30,480)	$(28,859)	$ (5,495)
Interest expense	$ 2,951	$ 2,909	$ 2,826	$ 2,488	$ 3,337	$ 2,948	$ 2,928	$ 2,963
Net loss	$ (6,130)	$ (517)	$ (8,711)	$(22,580)	$(31,807)	$(32,069)	$(30,967)	$ (7,676)
Basic and diluted net loss per share(1)	$ (0.07)	$ (0.01)	$ (0.09)	$ (0.24)	$ (0.34)	$ (0.35)	$ (0.33)	$ (0.08)

(1) Quarterly loss per share amounts may not total to the year-to-date loss per share due to rounding.

SCHEDULE II

NEKTAR THERAPEUTICS

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 2010, 2009, and 2008

Description	Balance at Beginning of Year	Charged to Costs and Expenses, Net of Reversals	Utilizations	Balance at End of Year
		(In thousands)		
2010:				
Allowance for doubtful accounts	$ —	$ —	$ —	$ —
Allowance for inventory reserves	$3,336	$1,012	$ (366)	$3,982
2009:				
Allowance for doubtful accounts	$ 92	$ —	$ (92)	$ —
Allowance for inventory reserves	$4,989	$2,109	$(3,762)	$3,336
2008:				
Allowance for doubtful accounts	$ 33	$ 61	$ (2)	$ 92
Allowance for inventory reserves	$5,772	$2,668	$(3,451)	$4,989

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***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 SEC's rules and forms, 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 financial 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 the Chief Executive Officer and the 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, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cashflows for the periods presented.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making its assessment of internal control over financial reporting, management used the criteria described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework described in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by an independent registered public accounting firm, as stated in their report, which is included herein.

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. There was no change in our internal control over financial reporting during the quarter ended December 31, 2010, which was identified in connection with our management's evaluation required by Exchange Act Rules 13a-15(f) and 15d-15(f) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Our management, including the 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 error or mistake. 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.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information relating to our executive officers required by this item is set forth in Part I — Item 1 of this report under the caption "Executive Officers of the Registrant" and is incorporated herein by reference. The other information required by this Item is incorporated by reference from the definitive proxy statement for our 2011 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A (Proxy Statement) not later than 120 days after the end of the fiscal year covered by this Form 10-K under the captions "Corporate Governance and Board of Directors," "Proposal 1 — Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

Information regarding our audit committee financial expert will be set forth in the Proxy Statement under the caption "Audit Committee," which information is incorporated herein by reference.

We have a Code of Business Conduct and Ethics applicable to all employees, including the principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The Code of Business Conduct and Ethics is posted on our website at *www.nektar.com*. Amendments to, and waivers from, the Code of Business Conduct and Ethics that apply to any of these officers, or persons performing similar functions, and that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K will be disclosed at the website address provided above and, to the extent required by applicable regulations, on a current report on Form 8-K.

As permitted by SEC Rule 10b5-1, certain of our executive officers, directors and other employees have or may set up a predefined, structured stock trading program with their broker to sell our stock. The stock trading program allows a broker acting on behalf of the executive officer, director or other employee to trade our stock during blackout periods or while such executive officer, director or other employee may be aware of material, nonpublic information, if the trade is performed according to a pre-existing contract, instruction or plan that was established with the broker during a non-blackout period and when such executive officer, director or employee was not aware of any material, nonpublic information. Our executive officers, directors and other employees may also trade our stock outside of the stock trading programs set up under Rule 10b5-1 subject to our blackout periods and insider trading rules.

Item 11. ***Executive Compensation***

The information required by this Item is included in the Proxy Statement and incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is included in the Proxy Statement and incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information required by this Item is included in the Proxy Statement and incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this Item is included in the Proxy Statement and incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as part of this report:

(1) *Consolidated Financial Statements:*

The following financial statements are filed as part of this Annual Report on Form 10-K under Item 8 "Financial Statements and Supplementary Data."

(2) *Financial Statement Schedules:*

Schedule II, *Valuation and Qualifying Accounts and Reserves*, is filed as part of this Annual Report on Form 10-K under Item 8 "Financial Statements and Supplementary Data". All other financial statement schedules have been omitted because they are not applicable, or the information required is presented in our consolidated financial statements and notes thereto under Item 8 of this Annual Report on Form 10-K.

(3) *Exhibits.*

Except as so indicated in Exhibit 32.1, the following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Exhibit Number	Description of Documents
2.1(1)	Asset Purchase Agreement, dated October 20, 2008, by and between Nektar Therapeutics, a Delaware corporation, AeroGen, Inc., a Delaware corporation and wholly-owned subsidiary of Nektar Therapeutics, Novartis Pharmaceuticals Corporation, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
3.1(2)	Certificate of Incorporation of Inhale Therapeutic Systems (Delaware), Inc.
3.2(3)	Certificate of Amendment of the Amended Certificate of Incorporation of Inhale Therapeutic Systems, Inc.
3.3(4)	Certificate of Designation of Series A Junior Participating Preferred Stock of Nektar Therapeutics.
3.4(5)	Certificate of Designation of Series B Convertible Preferred Stock of Nektar Therapeutics.
3.5(6)	Certificate of Ownership and Merger of Nektar Therapeutics.
3.6(7)	Certificate of Ownership and Merger of Nektar Therapeutics AL, Corporation with and into Nektar Therapeutics.
3.7(8)	Amended and Restated Bylaws of Nektar Therapeutics.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7.
4.2(6)	Specimen Common Stock certificate.

Exhibit Number	Description of Documents
4.3(4)	Rights Agreement, dated as of June 1, 2001, by and between Nektar Therapeutics and Mellon Investor Services LLC, as Rights Agent.
4.4(4)	Form of Right Certificate.
4.5(9)	Indenture, dated September 28, 2005, by and between Nektar Therapeutics, as Issuer, and J.P. Morgan Trust Company, National Association, as Trustee.
4.6(9)	Registration Right Agreement, dated as of September 28, 2005, among Nektar Therapeutics and entities named therein.
10.1(10)	1994 Non-Employee Directors' Stock Option Plan, as amended.++
10.2(11)	1994 Employee Stock Purchase Plan, as amended and restated.++
10.3(21)	2000 Non-Officer Equity Incentive Plan, as amended and restated.++
10.4(13)	Form of 2000 Non-Officer Equity Incentive Plan Stock Option Agreement (Nonstatutory Stock Option).++
10.5(13)	Form of 2000 Non-Officer Equity Incentive Plan Stock Option Agreement (Nonstatutory (Unapproved) Stock Option).++
10.6(14)	Forms of 2000 Non-Officer Equity Incentive Plan Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement.++
10.7(21)	2000 Equity Incentive Plan, as amended and restated.++
10.8(15)	Form of Stock Option Agreement under the 2000 Equity Incentive Plan.++
10.9(14)	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2000 Equity Incentive Plan.++
10.10(16)	Form of Non-Employee Director Stock Option Agreement under the 2000 Equity Incentive Plan.++
10.11(16)	Form of Non-Employee Director Restricted Stock Unit Agreement under the 2000 Equity Incentive Plan.++
10.12(21)	Amended and Restated Compensation Plan for Non-Employee Directors.++
10.13(12)	401(k) Retirement Plan.++
10.14(21)	2011 Discretionary Incentive Compensation Policy.++
10.15(21)	Amended and Restated Change of Control Severance Benefit Plan.++
10.16(21)	2008 Equity Incentive Plan.++
10.17(1)	Forms of Stock Option Grant Notice and of Stock Option Agreement under the 2008 Equity Incentive Plan.++
10.18(1)	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2008 Equity Incentive Plan.++
10.19(16)	Form of Severance Letter for executive officers of the company.++
10.20(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with Howard W. Robin.++
10.21(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with John Nicholson.++
10.22(21)	Letter Agreement, executed effective on December 10, 2009, with Stephen K. Doberstein, Ph.D.++
10.23(17)	Separation and General Release Agreement between Nektar Therapeutics and Randall W. Moreadith, M.D., Ph.D., dated November 23, 2009++
10.24(19)	Separation and General Release Agreement between Nektar Therapeutics and Bharatt M. Chowrira, Ph.D., J.D., dated December 23, 2010.++
10.25(16)	Amended and Restated Built-to-Suite Lease between Nektar Therapeutics and BMR-201 Industrial Road LLC, dated August 17, 2004, as amended on January 11, 2005 and July 19, 2007.
10.26(20)	Sublease, dated as of September 30, 2009, by and between Pfizer Inc. and Nektar Therapeutics.+

Exhibit Number	Description of Documents
10.27(18)	Settlement Agreement and General Release, dated June 30, 2006, by and between The Board of Trustees of the University of Alabama, The University of Alabama in Huntsville, Nektar Therapeutics AL Corporation (a wholly-owned subsidiary of Nektar Therapeutics), Nektar Therapeutics and J. Milton Harris.
10.28(21)	Co-Development, License and Co-Promotion Agreement, dated August 1, 2007, between Nektar Therapeutics (and its subsidiaries) and Bayer Healthcare LLC, as amended.+
10.29(1)	Exclusive Research, Development, License and Manufacturing and Supply Agreement, by and among Nektar AL Corporation, Baxter Healthcare SA, and Baxter Healthcare Corporation, dated September 26, 2005, as amended.+
10.30(1)	Exclusive License Agreement, dated December 31, 2008, between Nektar Therapeutics, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
10.31(21)	Supply, Dedicated Suite and Manufacturing Guarantee Agreement, dated October 29, 2010, by and among Nektar Therapeutics, Amgen Inc. and Amgen Manufacturing, Limited.+
10.32(20)	License Agreement by and between AstraZeneca AB and Nektar Therapeutics, dated September 20, 2009.+
21.1(21)	Subsidiaries of Nektar Therapeutics.
23.1(21)	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (reference is made to the signature page).
31.1(21)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(21)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1*(21)	Section 1350 Certifications.

+ 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.

++ Management contract or compensatory plan or arrangement.

* 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.

(1) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2008.

(2) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.

(3) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

(4) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on June 4, 2001.

(5) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on January 8, 2002.

(6) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on January 23, 2003.

(7) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2009.

(8) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on December 12, 2007.
(9) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on September 28, 2005.
(10) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
(11) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Registration Statement on Form S-8 (No. 333-98321), filed on August 19, 2002.
(12) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(13) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Registration Statement on Form S-8 (No. 333-71936), filed on October 19, 2001, as amended.
(14) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K, as amended, for the year ended December 31, 2005.
(15) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
(16) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
(17) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on November 30, 2009.
(18) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(19) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on December 30, 2010.
(20) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(21) Filed herewith.

SIGNATURES

Pursuant to 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, in the City and County of San Francisco, State of California on March 1, 2011.

By: /s/ JOHN NICHOLSON
John Nicholson
Senior Vice President and Chief Financial Officer

By: /s/ JILLIAN B. THOMSEN
Jillian B. Thomsen
Senior Vice President and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSON BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John Nicholson and Jillian B. Thomsen and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratify and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ HOWARD W. ROBIN **Howard W. Robin**	Chief Executive Officer, President and Director (Principal Executive Officer)	March 1, 2011
/s/ JOHN NICHOLSON **John Nicholson**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2011
/s/ JILLIAN B. THOMSEN **Jillian B. Thomsen**	Senior Vice President Finance and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2011
/s/ ROBERT B. CHESS **Robert B. Chess**	Director, Chairman of the Board of Directors	March 1, 2011
/s/ R. SCOTT GREER **R. Scott Greer**	Director	March 1, 2011

Signature	Title	Date
/s/ Joseph J. Krivulka **Joseph J. Krivulka**	Director	March 1, 2011
/s/ Christopher A. Kuebler **Christopher A. Kuebler**	Director	March 1, 2011
/s/ Lutz Lingnau **Lutz Lingnau**	Director	March 1, 2011
/s/ Susan Wang **Susan Wang**	Director	March 1, 2011
/s/ Roy A. Whitfield **Roy A. Whitfield**	Director	March 1, 2011
/s/ Dennis L. Winger **Dennis L. Winger**	Director	March 1, 2011

Except as so indicated in Exhibit 32.1, the following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Exhibit Number	Description of Documents
2.1(1)	Asset Purchase Agreement, dated October 20, 2008, by and between Nektar Therapeutics, a Delaware corporation, AeroGen, Inc., a Delaware corporation and wholly-owned subsidiary of Nektar Therapeutics, Novartis Pharmaceuticals Corporation, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
3.1(2)	Certificate of Incorporation of Inhale Therapeutic Systems (Delaware), Inc.
3.2(3)	Certificate of Amendment of the Amended Certificate of Incorporation of Inhale Therapeutic Systems, Inc.
3.3(4)	Certificate of Designation of Series A Junior Participating Preferred Stock of Nektar Therapeutics
3.4(5)	Certificate of Designation of Series B Convertible Preferred Stock of Nektar Therapeutics.
3.5(6)	Certificate of Ownership and Merger of Nektar Therapeutics.
3.6(7)	Certificate of Ownership and Merger of Nektar Therapeutics AL, Corporation with and into Nektar Therapeutics.
3.7(8)	Amended and Restated Bylaws of Nektar Therapeutics.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7.
4.2(6)	Specimen Common Stock certificate.
4.3(4)	Rights Agreement, dated as of June 1, 2001, by and between Nektar Therapeutics and Mellon Investor Services LLC, as Rights Agent.
4.4(4)	Form of Right Certificate.
4.5(9)	Indenture, dated September 28, 2005, by and between Nektar Therapeutics, as Issuer, and J.P. Morgan Trust Company, National Association, as Trustee.
4.6(9)	Registration Right Agreement, dated as of September 28, 2005, among Nektar Therapeutics and entities named therein.
10.1(10)	1994 Non-Employee Directors' Stock Option Plan, as amended.++
10.2(11)	1994 Employee Stock Purchase Plan, as amended and restated.++
10.3(21)	2000 Non-Officer Equity Incentive Plan, as amended and restated.++
10.4(13)	Form of 2000 Non-Officer Equity Incentive Plan Stock Option Agreement (Nonstatutory Stock Option).++
10.5(13)	Form of 2000 Non-Officer Equity Incentive Plan Stock Option Agreement (Nonstatutory (Unapproved) Stock Option).++
10.6(14)	Forms of 2000 Non-Officer Equity Incentive Plan Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement.++
10.7(21)	2000 Equity Incentive Plan, as amended and restated.++
10.8(15)	Form of Stock Option Agreement under the 2000 Equity Incentive Plan.++
10.9(14)	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2000 Equity Incentive Plan.++
10.10(16)	Form of Non-Employee Director Stock Option Agreement under the 2000 Equity Incentive Plan.++
10.11(16)	Form of Non-Employee Director Restricted Stock Unit Agreement under the 2000 Equity Incentive Plan.++
10.12(21)	Amended and Restated Compensation Plan for Non-Employee Directors.++
10.13(12)	401(k) Retirement Plan.++
10.14(21)	2011 Discretionary Incentive Compensation Policy.++
10.15(21)	Amended and Restated Change of Control Severance Benefit Plan.++
10.16(21)	2008 Equity Incentive Plan.++
10.17(1)	Forms of Stock Option Grant Notice and of Stock Option Agreement under the 2008 Equity Incentive Plan.++

Exhibit Number	Description of Documents
10.18(1)	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2008 Equity Incentive Plan.++
10.19(16)	Form of Severance Letter for executive officers of the company.++
10.20(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with Howard W. Robin.++
10.21(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with John Nicholson.++
10.22(21)	Letter Agreement, executed effective on December 10, 2009, with Stephen K. Doberstein, Ph.D.++
10.23(17)	Separation and General Release Agreement between Nektar Therapeutics and Randall W. Moreadith, M.D., Ph.D., dated November 23, 2009.++
10.24(19)	Separation and General Release Agreement between Nektar Therapeutics and Bharatt M. Chowrira, Ph.D., J.D., dated December 23, 2010.++
10.25(16)	Amended and Restated Built-to-Suite Lease between Nektar Therapeutics and BMR-201 Industrial Road LLC, dated August 17, 2004, as amended on January 11, 2005 and July 19, 2007.
10.26(20)	Sublease, dated as of September 30, 2009, by and between Pfizer Inc. and Nektar Therapeutics.+
10.27(18)	Settlement Agreement and General Release, dated June 30, 2006, by and between The Board of Trustees of the University of Alabama, The University of Alabama in Huntsville, Nektar Therapeutics AL Corporation (a wholly-owned subsidiary of Nektar Therapeutics), Nektar Therapeutics and J. Milton Harris.
10.28(21)	Co-Development, License and Co-Promotion Agreement, dated August 1, 2007, between Nektar Therapeutics (and its subsidiaries) and Bayer Healthcare LLC, as amended.+
10.29(1)	Exclusive Research, Development, License and Manufacturing and Supply Agreement, by and among Nektar AL Corporation, Baxter Healthcare SA, and Baxter Healthcare Corporation, dated September 26, 2005, as amended.+
10.30(1)	Exclusive License Agreement, dated December 31, 2008, between Nektar Therapeutics, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
10.31(21)	Supply, Dedicated Suite and Manufacturing Guarantee Agreement, dated October 29, 2010, by and among Nektar Therapeutics, Amgen Inc. and Amgen Manufacturing, Limited.+
10.32(20)	License Agreement by and between AstraZeneca AB and Nektar Therapeutics, dated September 20, 2009.+
21.1(21)	Subsidiaries of Nektar Therapeutics.
23.1(21)	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (reference is made to the signature page).
31.1(21)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(21)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1*(21)	Section 1350 Certifications.

+ 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.

++ Management contract or compensatory plan or arrangement.

* 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.

(1) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2008.
(2) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
(3) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
(4) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on June 4, 2001.
(5) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on January 8, 2002.
(6) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on January 23, 2003.
(7) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2009.
(8) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on December 12, 2007.
(9) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on September 28, 2005.
(10) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
(11) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Registration Statement on Form S-8 (No. 333-98321), filed on August 19, 2002.
(12) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(13) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Registration Statement on Form S-8 (No. 333-71936), filed on October 19, 2001, as amended.
(14) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K, as amended, for the year ended December 31, 2005.
(15) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
(16) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
(17) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on November 30, 2009.
(18) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(19) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on December 30, 2010.
(20) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(21) Filed herewith.

NEKTAR THERAPEUTICS
(formerly known as Inhale Therapeutic Systems, Inc.)

2000 NON-OFFICER EQUITY INCENTIVE PLAN

Adopted August 18, 1998
Amended February 23, 1999
Amended December 14, 1999
Amended and Restated June 6, 2000
Adjusted for 2-for-1 Stock Split on August 22, 2000
Amended August 22, 2000
Amended January 16, 2001
Amended April 25, 2001
Amended June 28, 2001
Amended September 6, 2001
Amended November 12, 2002
Amended April 23, 2004
Amended June 1, 2006
Amended September 14, 2010
Stockholder Approval Not Required
Termination Date: None

1. PURPOSES.

Amendment and Restatement. The 1998 Non-Officer Equity Incentive Plan initially was adopted on August 18, 1998 (the "1998 Plan"). The 1998 Plan hereby is amended and restated in its entirety, effective upon adoption by the Board, and renamed the "2000 Non-Officer Equity Incentive Plan." The terms of the Plan shall apply to all Stock Awards granted pursuant to the Initial Plan.

Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are the Employees and Consultants of the Company and its Affiliates who are neither Officers nor Directors.

Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Nonstatutory Stock Options, (ii) stock bonuses and (iii) rights to acquire restricted stock.

General Purpose. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. Definitions.

"***Affiliate***" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

"***Board***" means the Board of Directors of the Company.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Committee***" means a Committee appointed by the Board in accordance with subsection 3(c).

"***Common Stock***" means the common stock of the Company.

"***Company***" means Nektar Therapeutics, a Delaware corporation.

"***Consultant***" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include Directors of the Company

"***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

"Director" means a member of the Board of Directors of the Company.

"***Disability***" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

"***Employee***" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market System or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

"***Nonstatutory Stock Option***" means an option not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

"***Officer***" means (i) a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder and (ii) any other person designated by the Company as an officer.

"***Option***" means a Nonstatutory Stock Option granted pursuant to the Plan.

"***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

"***Optionholder"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

"***Participant***" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

"***Plan***" means this Nektar Therapeutics 2000 Non-Officer Equity Incentive Plan.

"***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Stock Award***" means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

"***Stock Award Agreement***" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

3. Administration.

Administration by Board. The Board will administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

To amend the Plan or a Stock Award as provided in Section 12.

Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

Delegation to Committee. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares Subject to the Plan.

Share Reserve. Subject to the provisions of Section 11 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in

the aggregate twelve million seven hundred fifty thousand (12,750,000)[1]shares of Common Stock. Subject to Section 4(b), the number of shares available for issuance under the Plan shall be reduced by (i) one (1) share for each share of stock issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that is issued pursuant to a stock bonus award or restricted stock award under Section 7.

Reversion of Shares to the Share Reserve. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full or if any shares of Common Stock issued to a Participant pursuant to a Stock Award are forfeited to or reacquired or repurchased by the Company, including, but not limited to, any forfeiture, reacquisition or repurchase caused by the failure to meet a contingency or condition required for the vesting of such shares, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan at the rate of (i) one (1) share for each share of stock that had been issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that had been issued pursuant to a stock bonus award or restricted stock award under Section 7.

Source of Shares. The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. Eligibility.

Eligibility. Stock Awards may be granted only to Employees and Consultants who are neither Officers nor Directors.

Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (*e.g.*, on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.[2]

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1 The 3,525,000 shares in the share reserve automatically were adjusted to 7,050,000 shares pursuant to the 2-for-1 stock split on August 22, 2000. The Board of Directors amended the Plan on August 22, 2000 and increased this number by 1,500,000 shares (post stock split) to a total of 8,550,000 shares. The Board of Directors amended the Plan on January 16, 2001 and increased this number by 800,000 shares to a total of 9,350,000 shares. The Board of Directors amended the Plan on June 28, 2001 and increased this number by 900,000 to a total of 10,250,000 shares. The Board of Directors amended the Plan on September 6, 2001 and increased this number by 1,000,000 to a total of 11,250,000 shares. The Board of Directors amended the Plan on November 12, 2002 and increased this number by 1,500,000 to a total of 12,750,000 shares.

2 Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

Exercise Price. The Board shall determine the exercise price of each Option, *provided, however,* that the exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted.

Consideration.

The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (A) in cash at the time the Option is exercised or (B) at the discretion of the Board at the time of the grant of the Option (or subsequently) by delivery to the Company of other Common Stock, according to a deferred payment or other similar arrangement (which may include, without limiting the generality of the foregoing, the use of other Common Stock) with the Participant or in any other form of legal consideration that may be acceptable to the Board; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

Transferability. An Option shall be transferable to the extent provided in the Option Agreement. If the Option does not provide for transferability, then the Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing provisions of this subsection 6(c), the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

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of the issuer's parent; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(d) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of three months (or such longer or shorter period specified in the Option Agreement) after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

Disability of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. The Optionholder may exercise his or her Option, but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

Death of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to

exercise the Option upon the Optionholder's death pursuant to subsection 6(c), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased may be subject to an unvested share repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

Term. No Option shall be exercisable after the expiration of eight (8) years from the date it was granted.

7. Provisions of Stock Awards other than Options.

Stock Bonus Awards. Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

Consideration. A stock bonus shall be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

Vesting. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the stock bonus agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the stock bonus agreement, the shares acquired pursuant to the stock bonus agreement shall become fully vested as of the date of termination.

Transferability. Rights to acquire shares under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

Restricted Stock Awards. Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

Purchase Price. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement.

Consideration. The purchase price of stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (1) in cash at the time of purchase; (2) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (3) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

Vesting. Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the restricted stock purchase agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the restricted stock purchase agreement, the shares acquired pursuant to the restricted stock purchase agreement shall become fully vested as of the date of termination.

Transferability. Rights to acquire shares under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. Covenants of the Company.

Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. Use of Proceeds from Stock.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

10. Miscellaneous.

Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant or other holder of Stock Awards any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause or (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate.

Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring the stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing

the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

11. Adjustments upon Changes in Stock.

Capitalization Adjustments. If any change is made in the stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Stock Awards. Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then such Stock Awards shall be terminated if not exercised (if applicable) prior to such event.

Corporate Transaction. In the event of (1) a sale, lease or other disposition of all or substantially all of the assets of the Company, (2) a merger or consolidation in which the Company is not the surviving corporation or (3) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (a "Corporate Transaction"), then any surviving corporation or

acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the Corporate Transaction) for those outstanding under the Plan. In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such Corporate Transaction. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such Corporate Transaction.

Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute, a Corporate Transaction described in subsection 11(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

12. Amendment of the Plan and Stock Awards.

Amendment of Plan. The Board at any time, and from time to time, may amend the Plan; provided however, that the rights under any Stock Award shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

13. Termination or Suspension of the Plan.

Plan Term. The Board may suspend or terminate the Plan at any time. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

No Impairment of Rights. Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the Participant.

14. Effective Date of Plan.

The Plan shall become effective upon adoption by the Board.

15. Choice of Law.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

Nektar Therapeutics 2000 Non-Officer Equity Incentive Plan ("the Plan")

This section of the Plan will be known as the Approved Section of the Nektar Therapeutics 2000 Non-Officer Equity Incentive Plan (the "Approved Section"). The Approved Section has been adopted by way of amendment to the Plan for the sole purpose of providing for the grant of options to United Kingdom-based employees of Nektar Therapeutics and its Subsidiaries and to directors of the Subsidiaries under Section 6 of the Plan where the Committee wishes to grant the employees of Nektar Therapeutics and its Subsidiaries and to directors of the Subsidiaries options under a plan approved by the Board of the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988 in addition to or as an alternative to the grant of Options and other Stock Awards under the Plan. The Approved Section shall only be used in connection with option grants to United Kingdom-based employees of Nektar Therapeutics and its Subsidiaries and United Kingdom-based directors of the Subsidiaries. All other Stock Awards made under the Plan shall be governed by the Plan without reference to the Approved Section.

For the purposes of the Approved Section, the Sections set forth in the Plan shall apply subject to the amendments provided for below and any provision in the Plan that is inconsistent with the following provisions shall not form part of the Approved Section shall be governed by the Plan subject to the amendments provided for below:

1. Definitions and Interpretation

1.1 The following words and expressions shall have the following meanings for the purposes of the Approved Section, unless the context otherwise requires:

"the **Adoption Date**" means the date on which the Approved Section is approved by the Inland Revenue;

"the **Appropriate Period**" has the same meaning as in paragraph 15(2) of Schedule 9 to the Taxes Act;

"**Approved Option**" means an Option to acquire Section Shares which is granted under Section 6 and satisfies the conditions of the Approved section;

"**Approved Section**" means the Approved Section of the Nektar Therapeutics 200 Non-Officer Equity Incentive Plan constituted and governed by the Plan subject to the amendments set out herein;

"**Associated Company**" has the same meaning as in Section 187(2) of the Taxes Act;

"the **Company**" means Nektar Therapeutics, a Delaware corporation with business address 150 Industrial Road, San Carlos, California 94070-6256;

"**Control**" has the same meaning as in section 840 of the Taxes Act and "controlled" shall be construed accordingly;

"**Date of Grant**" means the date on which an Approved Option is, was, or is to be granted under the Approved Section;

"**Eligible Employee**" means a person who is at the relevant Date of Grant:

(A) a Full-time Director or a qualifying Employee selected by the Committee to participate in the Approved Section; and

(B) not precluded by paragraph 8 of Schedule 9 (material interest I close company) to the Taxes act from participating in the Approved Section;

"**Full-Time Director**" means a director of a Subsidiary whose terms of office or employment require such director to work for at least twenty-five hours per week (excluding meal breaks);

"**Qualifying Employee**" means an employee of the Company or a Subsidiary who is not a director of the Company or Subsidiary;

"**Qualifying Employment**" means office or employment either as a Full-Time Director or as a Qualifying Employee as the case may be;

"**Section Shares**" means Shares which satisfy the conditions specified in Paragraphs 10 to 14 of Schedule 9 to the Taxes Act (fully paid up, unrestricted, ordinary share capital) to be acquired by a Participant on the exercise by such participant of an Approved Option which Shares shall as to voting, dividend, transfer and other rights including those arising in the liquidation of the Company rank pari passu in all respects and as to one class with the Shares of the Company in issue at that time;

"**Subsidiary**" means a body corporate of which the Company is for the time being to be taken to have Control and which is a subsidiary of the Company within section 736 of the Companies Act 1985;

"**Subsisting Option**" means an Approved Option which has neither lapsed nor been exercised;

"**Taxes Act**" means the Income and Corporation Taxes Act 1988;

Where the context so permits the singular shall include the plural and vice versa and the masculine shall include the feminine.

Reference to any Act shall include any statutory modification, amendment or re-enactment thereof;

2. Eligibility

2.1 Notwithstanding Section 5 of the Plan, Approved Options shall only be granted to Eligible Employees.

3. Option Provisions

Section 6 of the Plan shall apply provided that the grant of each Approved Option shall comply with the following conditions:

3.1 An Approved Option may not be exercised later than the day before the tenth anniversary of the Date of Grant on which day the same (if it has not already ceased to be exercisable) shall lapse.

The exercise price payable for each Section Share in the event of an Approved Option being exercised shall be:

(A) Where Approved Options are granted when the Shares are not quoted on the New York Stock Exchange, the greater of:

(1) the par value of a Share; and

(2) the amount determined to be the market value of a share on the Date of grant in accordance with the provisions of part VIII of the Taxation of Chargeable Gains Act of 1992 and agreed for the purposes of the Approved Section with the Inland Revenue Share Valuation Division prior to the date on which an Approved Option is granted to a Participant;

(B) where Approved options are granted when the Shares are quoted on the New York Stock Exchange, the greater of:

(1) the par value of a Share; and

(2) on any Date of Grant, the closing sales price for a Share on the New York Stock Exchange on the immediately preceding day on which Shares were traded on the New York Stock Exchange as published in the Wall Street Journal;

3.2 The form of grant of an Approved Option shall be executed by the Company as a deed, and shall state the exercise price, the number of Shares, the Date of Grant and any performance conditions applicable to the exercise of the approved Option.

3.3 Any Approved Option granted to an Eligible Employee shall be limited and take effect so that at the Date of Grant of such Approved Option the aggregate of:

(A) the market value of shares comprised in such Approved Option; and

(B) the market value of shares comprised in any Subsisting Options which have been granted to that Eligible Employee; and

(C) the market value of any Shares the Eligible Employee may acquire in pursuance of options granted to such Eligible Employee (and not exercised) under any other scheme approved under Schedule 9 to the Taxes Act and established by the Company or any Associated Company of the Company providing for the grant of options to acquire Shares (other than a savings related share option scheme)

shall not exceed £30,000 (or such other amount as may be prescribed by Paragraph 28 of Schedule 9 to the Taxes Act from time to time).

For the purposes of this paragraph "market value" shall be calculated in accordance with Paragraph 28 of Schedule 9 to the Taxes Act at the respective Dates of Grant.

3.4 The type of consideration in which the exercise price of an Approved Option is to be paid shall be in monetary form.

3.5 An Approved Option shall be personal to the Eligible Employee to whom it is granted and shall not be capable of assignment. Any purported sale, pledge, assignment, hypothecation, transfer or disposal of or dealing with an Approved Option shall cause the Approved Option to lapse forthwith.

3.6 No Approved Option may be exercised at any time when the Shares which may be thereby acquired are not Section Shares.

3.7 Upon the exercise of an Approved Option in accordance with the Plan, the Company shall promptly and in any event not later than 30 days after the exercise of an Approved Option issue or cause to be issued a stock certificate to the Participant or a book-entry crediting the Participant's account with the appropriate number of Section Shares.

3.8 No Approved Option may be exercised when the Participant to who it was granted is precluded from participating in the Approved Section by virtue of paragraph 8 of Schedule 9 to the Taxes act (material interest in close company).

4. Termination of Employment

4.1 Except as provided in Section 6 paragraph (e) (Termination of continuous Service), Section paragraph (g) (Disability of the Optionholder) and Section 6 paragraph (h) (Death of the Optionholder) of the Plan no Approved Option may be exercised unless the Participant shall have been in Qualifying Employment since the date of the grant of such Approved Option.

4.2 Section 6 paragraph (h) (Death of the Optionholder) of the Plan shall apply for the purposes of the Approved Section provided that no Approve Option may be exercised more than one year later the death of a Participant and following the death of a Participant an Approved Option may only be exercised by the personal representatives of that Participant.

4.3 A female Participant whose employment has been terminated in circumstances such that, pursuant to the Employment Rights Act 1996, she has a right to return to work shall be deemed for the purposes of the Approved Section not to have eased to be in Qualifying Employment until such time as she is no longer capable, pursuant to the said Act, of exercising a right to return to work and has not exercised such right.

5. Provisions of the Plan not to Apply to Approved Options

5.1 Section 6 paragraphs 6 (b)(I)(B), (ii) and (iii) Consideration) and (i) (Early Exercise), 7 (Provisions of Stock Awards other than Options) and 10 paragraphs 9a) (Acceleration of Exercisability and Vesting) and (d) (Investment Assurances) of the Plan shall not apply for the purposes of the Approved Section.

6. No Obligation to Employ

Section 10 paragraph © (No Employment or other Service Rights) of the Plan shall apply subject to the following further condition for the purposes of the Approved Section:

6.1 Participation in the Approved Section by a participant is a matter entirely separate from, and shall not affect, the Participant's pension rights and terms of employment and, in particular (but without prejudice to the foregoing), if a Participant shall cease for any reason (including wrongful dismissal) to be employed by or hold office with the Company or a Subsidiary the Participant shall not be entitled by way of compensation for loss or otherwise howsoever, of any sum or benefit to compensate the Participant for the loss of any right or benefit under the Approved Section.

7. Withholding Obligations

The following provision shall be substituted for Section 10 paragraph (e) (Withholding Obligations) of the Plan for the purposes of the Approve Section:

7.1 If a Participant is liable to tax, duties and social security contributions on the exercise of an Approved Option and the Company or the Participant's employing company or former employing company is liable to make payment to appropriate authorities on account of that liability, then the Participant will enter into such arrangements as necessary for ensuring that that company is put in sufficient funds to enable t to discharge its liability to make the payment to the appropriate authority, or is reimbursed for any payment made.

8. Adjustment upon Changes in Stock

8.1 The provisions of Section 11 paragraphs (c) (Corporate Transaction) and (d) (Securities Acquisition) of the Plan shall be modified for the purposes of the Approved Section so that they applies only where a company ("the Acquiring Company")

(A) obtains Control of the Company as a result of:

(1) a general offer to acquire the whole of the issued share capital of the Company (other than that which is already owned by it) made on a condition such that if satisfied the Acquiring Company will have Control of the Company; or

(2) a general offer to acquire all the Ordinary Shares (or such Ordinary Shares as are not already owned by the Acquiring Company); or

(B) obtains Control of the Company in pursuance of a compromise or arrangement sanctioned by the Court under Section 425 of the Companies Act 1985;

(C) becomes bound or entitled to acquire Ordinary Shares under sections 428 to 430 of the Companies Act 1985.

8.2 Where Rule 8.1 applies any Option subsisting at the date of the Corporate Transaction or Securities Acquisition (as defined in the Plan) may be released by the Participant at any time during the Appropriate period, at the option of the Committee and with the agreement of the Acquiring Company, for an equivalent option over shares of the Acquiring Company which satisfies the conditions that it:

(A) is over shares in the acquiring company or a company which has Control of the acquiring company which satisfy the conditions specified in paragraphs 10 to 14 of Schedule 9 to the Taxes Act (and the terms "Ordinary Shares" and "Scheme Shares" in this Scheme shall thereafter be construed accordingly);

(B) is the right to acquire such number of Scheme Shares as has on acquisition of the new Option as aggregate market value equal to the aggregate market value of the Scheme Shares subject to the old Option immediately before its release;

(C) has an Option Price per Scheme Share such that the total amount payable on exercise is equal to the total amount payable on exercise of the old Option; and

(D) is otherwise in identical terms to the old Option and for this purpose references to "the Company" in the Plan other than Section 6) shall, unless the context otherwise requires, be deemed to refer to the acquiring company or, as the case may be, to the other company over whose shares the new Option is granted.

The new Option shall for all other purposes of the Scheme be treated as having been acquired at the same time as the old Option is respect of which it is granted.

8.3 Every alteration or variation made pursuant to Section 11 for the purposes of the Approved Section shall be subject to the prior approval of the Board of Inland Revenue.

8.4 Following the adjustment, the Shares continue to be Section Shares.

9. Amendment of the Plan and Stock Awards

Section 12 of the Plan shall operate for the purposes of the Approved Section of the Plan subject to the following condition:

9.1 Following the approval of the Approved Section under Schedule 9 to the Taxes Act, no alteration of the Approved Section shall have effect until approved by the Board of Inland Revenue.

10. Choice of Law

10.1 Notwithstanding Section 15 of the Plan, the Approved Section shall be governed by and construed in accordance with the laws of England, except that any matters relating to the internal governance of the Company shall be governed by Delaware law.

NEKTAR THERAPEUTICS
(formerly known as Inhale Therapeutic Systems, Inc.)
2000 EQUITY INCENTIVE PLAN

Adopted February 10, 1994
Approved By Shareholders February 18, 1994
Amended March 27, 1996
Amended and Restated by Board April 24, 1998
Approved By Shareholders June 23, 1998
Amended and Restated by Board April 19, 2000
Approved By Shareholders June 6, 2000
Adjusted for 2-for-1 Stock Split on August 22, 2000
Amended and Restated by Board April 23, 2004
Approved By Shareholders June 17, 2004
Amended and Restated by Board March 17, 2006
Amended and Restated by Board May 23, 2006
Approved By Shareholders June 1, 2006
Amended and Restated by Board September 14, 2010

Termination Date: February 9, 2010

1. PURPOSES.

(a) Amendment and Restatement. The 1994 Equity Incentive Plan initially was adopted on February 10, 1994 and amended and restated on April 24, 1998 (the "1994 Plan"). The 1994 Plan was amended and restated in its entirety, effective upon adoption by the Board, and renamed the "2000 Equity Incentive Plan." The terms of the Plan shall apply to all Stock Awards granted pursuant to the Initial Plan.

(b) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(c) Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(d) General Purpose. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. Definitions.

(a) "***Affiliate***" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "***Board***" means the Board of Directors of the Company.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended.

(d) "***Committee***" means a Committee appointed by the Board in accordance with subsection 3(c).

(e) "***Common Stock***" means the common stock of the Company.

(f) "***Company***" means Nektar Therapeutics, a Delaware corporation.

(g) "***Consultant***" means any person, including an advisor, (1) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (2) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors of the Company who are not compensated by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.

(h) "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(i) "***Covered Employee***" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(j) "***Director***" means a member of the Board of Directors of the Company.

(k) "***Disability***" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "***Employee***" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(n) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market System or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) "***Incentive Stock Option***" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "***Non-Employee Director***" means a Director of the Company who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(q) "***Nonstatutory Stock Option***" means an Option not intended to qualify as an Incentive Stock Option.

(r) "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(t) "***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(u) "***Optionholder*** ***or "Optionee"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(v) "***Outside Director***" means a Director of the Company who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(w) "***Participant***" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(x) "***Plan***" means this Nektar Therapeutics 2000 Equity Incentive Plan.

(y) "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(z) "***Securities Act***" means the Securities Act of 1933, as amended.

(aa) "***Stock Award***" means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(bb) "***Stock Award Agreement***" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(cc) "***Ten Percent Stockholder***" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. Administration.

(a) Administration by Board. The Board will administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be

permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) Committee Composition when Common Stock is Publicly Traded. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (i) delegate to a committee of one or more members of the Board who are not Outside Directors, the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (ii) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares Subject to the Plan.

(a) Share Reserve. Subject to the provisions of Section 11 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate Eighteen Million Two Hundred Fifty Thousand (18,250,000) shares of Common Stock. Subject to Section 4(b), the number of shares available for issuance under the Plan shall be reduced by (i) one (1) share for each share of stock issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that is issued pursuant to a stock bonus award or restricted stock award under Section 7.

(b) Reversion of Shares to the Share Reserve. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full or if any shares of Common Stock issued to a Participant pursuant to a Stock Award are forfeited to or reacquired or repurchased by the Company, including, but not limited to, any forfeiture, reacquisition or repurchase caused by the failure to meet a contingency or condition required for the vesting of such shares, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan at the rate of (i) one (1) share for each share of stock that had been issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that had been issued pursuant to a stock bonus award or restricted stock award under Section 7; *provided*, *however*, that if any unvested Common Stock acquired pursuant to a Stock Award is forfeited to or reacquired or repurchased by the Company, the unvested stock forfeited to or reacquired or repurchased by the Company shall revert to and again become available for issuance under the Plan for all Stock Awards other than Incentive Stock Options.

(c) Source of Shares. The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. Eligibility.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) Ten Percent Stockholders. No Ten Percent Stockholder shall be eligible for the grant of an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Section 162(m) Limitation. Subject to the provisions of Section 11 relating to adjustments upon changes in stock, no employee shall be eligible to be granted Options covering more than Eight Hundred Thousand (800,000) shares of the Common Stock during any calendar year.

(d) Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company,

or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (*e.g.*, on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.[1]

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Incentive Stock Option shall be exercisable after the expiration of eight (8) years from the date it was granted. No Nonstatutory Stock Option shall be exercisable after the expiration of eight (8) years from the date it was granted.

(b) Exercise Price of an Incentive Stock Option. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Exercise Price of a Nonstatutory Stock Option. The exercise price of each Nonstatutory Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

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1 Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

(d) Consideration.

(i) The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (A) in cash at the time the Option is exercised or (B) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) by delivery to the Company of other Common Stock, according to a deferred payment or other similar arrangement (which may include, without limiting the generality of the foregoing, the use of other Common Stock) with the Participant or in any other form of legal consideration that may be acceptable to the Board; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(ii) Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(iii) In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(e) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing provisions of this subsection 6(e), the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing provisions of this subsection 6(f), the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments which may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may

vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(h) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of a period of three (3) months (or such longer or shorter period specified in the Option Agreement) after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) Disability of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. The Optionholder may exercise his or her Option, but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) Death of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration

of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased may be subject to an unvested share repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

7. Provisions of Stock Awards Other than Options.

(a) Stock Bonus Awards. Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(b) Consideration. A stock bonus shall be awarded in consideration for past services actually rendered to the Company for its benefit.

(c) Vesting. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(d) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the stock bonus agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the stock bonus agreement, the shares acquired pursuant to the stock bonus agreement shall become fully vested as of the date of termination.

(e) Transferability. Rights to acquire shares under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(f) Restricted Stock Awards. Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(g) Purchase Price. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. The purchase price shall not be less than eighty-five percent (85%) of the stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(h) Consideration. The purchase price of stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(i) Vesting. Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(j) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the restricted stock purchase agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the restricted stock purchase agreement, the shares acquired pursuant to the restricted stock purchase agreement shall become fully vested as of the date of termination.

(k) Transferability. Rights to acquire shares under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. Covenants of the Company.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company

deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. Use of Proceeds From Stock.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

10. Miscellaneous.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant or other holder of Stock Awards any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and

risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring the stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (iii) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (iv) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

11. Adjustments Upon Changes in Stock.

(a) Capitalization Adjustments. If any change is made in the stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Stock Awards. Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then such Stock Awards shall be terminated if not exercised (if applicable) prior to such event.

(c) Corporate Transaction. In the event of (1) a sale, lease or other disposition of all or substantially all of the assets of the Company, (2) a merger or consolidation in which the

Company is not the surviving corporation or (3) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (a "Corporate Transaction"), then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the Corporate Transaction) for those outstanding under the Plan. In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such Corporate Transaction. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such Corporate Transaction.

(d) Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute, a Corporate Transaction described in subsection 11(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

12. Amendment of the Plan and Stock Awards.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the

Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(f) Repricing of Stock Awards. Without prior stockholder approval, the Board will not effect a "repricing" (as hereinafter defined) of any Stock Awards under the Plan. For purposes of the immediately preceding sentence, a "repricing" shall be deemed to mean any of the following actions: (a) the lowering of the purchase price of a Stock Award after it is granted; (b) the canceling of a Stock Award in exchange for another Stock Award at a time when the purchase price of the cancelled Stock Award exceeds the Fair Market Value of the underlying stock (unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off, dissolution, winding up or other similar corporate transaction with respect to the Company or any subsidiary of the Company to which the holder of such Stock Award is providing or had provided service); or (c) the purchase of a Stock Award for cash or other consideration at a time when the purchase price of the purchased Stock Award exceeds the Fair Market Value of the underlying stock (unless the purchase occurs in connection with a merger, acquisition, spin-off, dissolution, winding up or other similar corporate transaction with respect to the Company or any subsidiary of the Company to which the holder of such Stock Award is providing or had provided service).

13. Termination or Suspension of the Plan.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on February 9, 2010. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the Participant.

14. Effective Date of Plan.

The Plan shall become effective upon adoption by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. Choice of Law.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

AMENDED AND RESTATED
COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

This is the Compensation Plan (the "Plan") for Non-Employee Directors (each a "Non-Employee Director") of Nektar Therapeutics (the "Company"). This Plan was approved by the Board of Directors and made effective on June 1, 2006 and amended and restated by Board of Directors and made on effective March 1, 2007 and amended and restated by Board of Directors on March 20, 2008 and made effective as of January 1, 2008 and amended and restated by the Board of Directors on September 15, 2009 and made effective as of January 1, 2010 and amended and restated by the Board of Directors on September 14, 2010 and made effective as of January 1, 2011. The terms and conditions of the Plan are described below:

- An annual retainer of $30,000 for serving on the Board of Directors, payable in equal quarterly installments;
- An annual retainer of $25,000 for serving as the Chair or Lead Director of the Board of Directors, payable in quarterly installments;
- An annual retainer of $20,000 for serving as the Chair of the Company's Audit Committee, payable in equal quarterly installments;
- An annual retainer of $15,000 for serving as Chair of the Company's Compensation Committee, payable in equal quarterly installments;
- An annual retainer of $10,000 for serving as Chair of the Company's Nominating/Governance Committee, payable in equal quarterly installments;
- An annual retainer of $5,000 for serving as Chair of any other committee established by the Board of Directors, payable in equal quarterly installments;
- Each Non-Employee Director shall receive $2,000 for attending each in-person or telephonic board meeting. Each Non-Employee Director shall receive $1,000 for each in-person board meeting attended via conference telephone.
- Each Non-Employee Director shall receive $1,750 for attending a each in person or telephonic committee meeting. Each Non-Employee Director shall receive $875 for each in-person committee meeting attended via conference telephone.

- Each Non-Employee Director shall be reimbursed for customary expenses for attending Board of Director, committee and stockholder meetings;
- Upon initial appointment to the Board of Directors, each Non-Employee Director shall receive equity compensation composed of either (i) stock options at an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Global Select Market on the grant date, under the Company's equity incentive plan; or (ii) fifty percent (50%) stock options at an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Global Select Market on the grant date and fifty percent (50%) restricted stock unit awards, each under the Company's equity incentive plan. This initial appointment equity compensation award will be based on one hundred and fifty percent (150%) of the annual equity compensation grant, as determined annually by the Board of Directors in consultation with its professional advisors. For purposes of the foregoing, the value of stock options will be determined based on the Black-Scholes valuation methodology and the value of restricted stock units will be based on the value of the Company's common stock on the grant date;
- In September of each year, each Non-Employee Director shall receive equity compensation composed of either (i) stock options at an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Global Select Market on the grant date, under the Company's equity incentive plan; or (ii) fifty percent (50%) stock options at an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Global Select Market on the grant date and fifty percent (50%) restricted stock unit awards, each under the Company's equity incentive plans. This annual equity compensation award will be based on a review of equity compensation for non-employee directors of comparable companies as determined annually by the Board of Directors in consultation with its professional advisors. For purposes of the foregoing, the value of stock options will be determined based on the Black-Scholes valuation methodology and the value of restricted stock units will be based on the value of the Company's common stock on the grant date. If any Non-Employee Director is appointed following the annual grant of equity compensation, he or she will also be entitled to a pro-rata portion of the most recent annual grant of equity compensation determined by the Board of Directors ; and

- Non-Employee Directors are also eligible for discretionary grants of options or restricted stock units under the Company's equity incentive plan.

Options granted to a Non-Employee Director for their annual service on the Board of Directors shall vest monthly over a period of one year. Restricted stock unit awards granted to a Non-Employee Director for their annual shall vest monthly over a period of one year. Options granted to a Non-Employee Director for their initial appointment to the Board of Directors shall vest monthly over a period of three years. Restricted stock unit awards granted to a Non-Employee Director for their initial appointment shall vest monthly over a period of three years. The exercise price of options granted to a Non-Employee Director shall be equal to 100% of the fair market value of the Company's common stock on the grant date. Following completion of a Non-Employee Director's service on the Board of Directors, his or her stock options will remain exerciseable for a period of eighteen months. The term of options granted to a Non-Employee Director is eight years. In the event of a change of control, the vesting of each option or restricted stock unit award shall accelerate in full as of the closing of such transaction.

Ownership Guidelines

The Board of Directors of the Company believes that Non-Employee Directors should own and hold common stock of the Company to further align their interests and actions with the interests of the Company's stockholders. Therefore, the Board of Directors has adopted the following Stock Ownership Guidelines effective January 1, 2010.

Non-Employee Directors of the Company should own at least 9,000 shares of Nektar's common stock. The minimum stock ownership level should be achieved by each Non-Employee Director within five years of the adoption of these guidelines or first appointment to the Board. Any change in the value of the stock (such as a stock split, stock dividend, recapitalization, etc.) will not affect the amount of stock Non-Employee Directors must hold. Once achieved, ownership of the guideline amount should be maintained as long as the Non-Employee Director retains his or her seat on the Board.

Stock that counts towards satisfaction of these guidelines include:

- Stock purchased on the open market;
- Stock obtained through stock option exercises;
- Restricted stock units;
- Stock beneficially owned in a trust, by a spouse and/or minor children; and
- Other equity vehicles such as deferred stock units that may be implemented from time to time.

These ownership guidelines are non-binding. There may be rare instances where these guidelines would place a severe hardship on a Non-Employee Director. In these cases, the Board will make the final decision as to developing an alternative stock ownership guideline for a Non-Employee Director that reflects the intention of these guidelines and his or her personal circumstances.

Exhibit 10.14

Nektar Discretionary Incentive Compensation Policy

1.0 Purpose

Effective January 1, 2011, Nektar has adopted the 2011 Nektar Discretionary Incentive Compensation Policy (the "Policy"). This Policy supersedes all previous incentive compensation, bonus, or variable compensation policies and plans, regardless of the manner in which they were communicated, including incentive compensation arrangements referenced in offer letters. This Policy can provide an eligible employee with additional compensation beyond the employee's base pay, in recognition of the quality of the employee's individual performance and Nektar's level of achievement of its corporate objectives and goals, the amount of which is determined in Nektar's sole and final discretion.

2.0 Scope

All regular full-time and part-time employees, except the Chief Executive Officer, are eligible to participate in this Policy. Temporary, contract and vendor employees are not eligible to participate.

3.0 Policy

3.1 This Policy is an annual policy, with the performance period from January 1 through December 31 (the "Performance Period").

3.2 During the first quarter of each year, Nektar will review the annual incentive compensation target for each employee for the Performance Period. The incentive compensation target will be a percentage of the employee's base compensation. With respect to overtime-exempt employees, "base compensation" means an employee's annual base salary in effect at the end of the Performance Period. With respect to overtime non-exempt employees, "base compensation" means an employee's base salary or hourly wages, including overtime, plus any shift differential premium paid pursuant to Nektar's policies, earned during the Performance Period.

3.3 Annual incentive compensation target percentages may vary between job classifications, management levels, and employees at the sole discretion of the Company. In all cases, other than the incentive compensation target percentages of the direct reports to the Chief Executive Officer and "executive officers" within the meaning of the Securities Exchange Act of 1934, which are subject to approval by the Organization and Compensation Committee of the Board of Directors (the "Compensation Committee"), each employee's annual incentive target percentage will be determined in the sole and final discretion of Nektar. The annual incentive compensation target is merely a goal, representing the potential target amount that might be paid to an eligible employee who meets individual performance expectations and Nektar achieves its corporate objectives and goals. There is no guarantee that this annual incentive compensation target percentage, nor any amount, will be paid to any participating employee in this Policy.

Depending on Nektar's corporate performance and the eligible employee's performance, as well as management discretion, an amount greater or lesser than the incentive compensation target percentage or amount may be awarded to an eligible employee. A participating employee may receive between 0% to 200% of their annual incentive compensation target depending on the corporate performance rating determined by the Board of Directors and such employee's individual performance as determined in the sole and final discretion of Nektar. In all cases, whether an eligible employee is paid any incentive compensation award, as well as the amount of any such award, is within Nektar's sole and final discretion.

3.4 The Board of Directors, in consultation with the Chief Executive Officer, will establish corporate goals for each annual Performance Period.

3.5 Following the close of the Performance Period, the Board of Directors, in consultation with the Chief Executive Officer, will measure and determine Nektar's level of achievement of its corporate goals for that Performance Period. Based on this evaluation, the Board of Directors may determine a percentage at which Nektar met its corporate goals during the annual Performance Period with a corporate performance rating ranging from 0% to a maximum of 200%. This corporate performance percentage rating shall be established by the Board of Directors, within their sole and final discretion. The Board of Directors may, within its sole and final discretion, determine that Nektar's corporate performance for a Performance Period does not merit awarding any incentive compensation under this Policy.

3.6 Nektar management conducts annual reviews of employee performance. An eligible employee's performance rating in this review will be used in part to determine the employee's individual performance rating for the annual Performance Period. All determinations of an employee's individual performance rating are within Nektar's sole and final discretion.

3.7 An eligible employee with an individual performance rating of "needs improvement" may be eligible for a reduced incentive compensation award or no incentive compensation in the sole and final discretion of Nektar. An eligible employee with a lower performance rating than "needs improvement" will not be eligible for an incentive compensation award in any amount. An eligible employee whose performance rating makes him or her eligible for an incentive compensation award may receive an incentive compensation award of more or less than the eligible employee's target amount based on the final corporate performance rating determined by the Board of Directors and the eligible employee's individual performance determined in the sole and final discretion of Nektar. The amount of any incentive compensation award to an eligible employee is within the sole and final discretion of Nektar.

3.8 A new employee hired during a Performance Period is eligible for an incentive compensation award under this Policy pro-rated to cover the portion of the annual Performance Period in which the new employee worked unless otherwise agreed to in writing by Nektar.

3.9 To be eligible for an incentive compensation award for any annual Performance Period, an employee must be actively employed by Nektar from the later of (i) the beginning of the Performance Period or (ii) entry into an eligible position prior to December 1 of the Performance Period, and in either case the eligible employee MUST REMAIN EMPLOYED THROUGH THE PAYMENT DATE OF THE INCENTIVE COMPENSATION AWARD (IF ANY) PAID TO THE ELIGIBLE EMPLOYEES UNDER THIS POLICY IN ORDER TO BE ELIGIBLE FOR AN INCENTIVE COMPENSATION AWARD. Any incentive compensation award determined payable under this Policy will be paid during the first calendar quarter of the year following the conclusion of the annual Performance Period, or as soon as practicable thereafter during the year following the annual Performance Period.

3.10 Employees who were on an approved part-time schedule during the annual Performance Period, and who are still employed by Nektar at the time of payment of the incentive compensation award to the eligible employees under this Policy for such annual Performance Period, will be eligible for a pro rata incentive compensation award for the portion of the annual Performance Period in which they were employed, subject to the other conditions and limitations set forth in this Policy, including review of the eligible employee's individual performance as determined in the sole and final discretion of Nektar.

3.11 Employees who were on a leave of absence during the annual Performance Period, and who are still employed by Nektar at the time of payment to the eligible employees under this Policy for such annual Performance Period, will be eligible for a pro rata incentive compensation award for the portion of the annual Performance Period in which they were employed and not on a leave of absence, subject to the other conditions set forth in this Policy, including review of the eligible employee's individual performance as determined in the sole and final discretion of Nektar.

3.12. Employees will only have earned and be entitled to an incentive compensation award under this Policy if ALL of the following conditions are met for the applicable annual performance period: (i) the Board of Directors has determined Nektar's corporate performance rating as described in Section 3.5, (ii) the Employee has received an individual performance rating of "occasionally does not meet expectations" and such Employee's manager has assigned an individual performance rating greater than 0% up to a maximum of 200%, and (iii) the Employee remains employed with Nektar through the payment date of the incentive compensation awards under this Policy.

3.13 All determinations related to this Policy, including, but not limited to, whether any employee is awarded an incentive compensation award, the amount of any incentive compensation award, whether and to what extent Nektar met its corporate objectives and goals, and any employee's individual performance rating, are within Nektar's sole and final discretion and are not reviewable.

3.14 This Policy is not contractual and may be changed or withdrawn at any time by a written communication from both the Senior Vice President, Human Resources and Chief Executive Officer. All questions concerning the interpretation and application of this Policy that are not specifically answered by the terms of this Policy shall be resolved within Nektar's sole and final discretion. This Policy does not alter the terminable at will relationship between Nektar and the eligible employees participating in this Policy.

NEKTAR THERAPEUTICS

AMENDED AND RESTATED CHANGE OF CONTROL SEVERANCE BENEFIT PLAN

PLAN DOCUMENT AND SUMMARY PLAN DESCRIPTION

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Section 1. Introduction

The Nektar Therapeutics Amended and Restated Change of Control Severance Benefit Plan (the "Plan") is designed to provide severance benefits to eligible employees of Nektar Therapeutics (the "Company" or "Nektar") whose employment is involuntarily terminated by the Company following a Change of Control (as defined below). The Plan was initially approved by the Company's Board of Directors (the "Board of Directors") on December 6, 2006 and subsequently amended and restated and approved by the Board of Directors on February 14, 2007, on October 21, 2008, on September 14, 2010 and on December 7, 2010. The Plan supersedes any prior plan, policy or practice involving the payment of severance benefits by Nektar in the event of an involuntary termination that occurs in connection with or following a Change of Control. While the Plan is in effect, any severance benefits provided to an employee by the Company with respect to an employee's involuntary termination in connection with or following a Change of Control must be paid pursuant to the Plan or pursuant to an express written agreement between Nektar and the individual employee.

The Plan is designed to be an "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, accordingly, this Plan is governed by ERISA. This document constitutes both the official plan document and the required summary plan description under ERISA.

Section 2. Eligibility For Participation in the Plan

Each employee of the Company is eligible to participate in the Plan; provided, however, that an employee who has an individual agreement with the Company providing for severance benefits with respect to termination of employment with the Company in connection with or following a Change of Control that would otherwise be covered by this Plan shall not be eligible to participate in this Plan (i.e. an eligible employee cannot receive severance benefits both under their individual agreement and this Plan), and an individual who is not treated as an employee of the Company for payroll and income tax withholding purposes or who is treated as a consultant or independent contractor, regardless of a court or agency's determination of employee status of such person during any period for any purpose, shall not be eligible to participate in this Plan.

Section 3. Eligibility For Severance Benefits

3.1 Conditions for Eligibility. To be eligible to receive severance benefits under the Plan, in addition to meeting the requirements for eligibility to participate in the Plan, the participant must terminate employment with the Company under circumstances that the Plan Administrator

determines constitute a Covered Termination, and the participant must meet the following conditions:

- The participant must execute and deliver to the Company a Separation and General Release Agreement in substantially the form attached hereto as Exhibit A and must not revoke such agreement within any revocation period provided under applicable law.
- If the participant is notified by the Company or Successor Company that his or her employment will be terminated following a Change of Control in advance of his or her termination date, the participant must not voluntarily terminate his or her employment or fail to perform his or her assigned duties prior to the termination date established by the Company or Successor Company.
- The participant must not at any time have engaged in conduct that would be Cause for termination, as defined in Section 3.3 below, as determined by the Plan Administrator in its sole discretion. The Plan Administrator shall have the discretion to terminate any and all severance benefits provided under this Plan to a participant who is discovered to have engaged in such conduct, regardless of when such discovery occurs.

3.2 Covered Termination. For purposes of this Plan, a Covered Termination is an involuntary termination of the participant's employment with the Company or Successor Company in conjunction with a Change of Control under the circumstances described below applicable to the participant, as follows:

- Officer Participants. For a participant who is an officer holding a position of Chief Executive Officer, President, Senior Vice President, Vice President or Principal Fellow (an "Officer Participant"), a Covered Termination is the involuntary termination of the participant's employment by the Company or Successor Company without Cause, other than on account of the participant's death or disability, or the participant's Good Reason Resignation, which (i) termination occurs at the request of a third party in the context of discussions regarding a Change of Control or (ii) termination or resignation occurs within the period beginning with the execution of an agreement providing for a Change of Control (and such Change of Control is consummated) and ending 12 months following the Change of Control.
- Non-Officer Participants. For any other participant (a "Non-Officer Participant"), a Covered Termination is the involuntary termination of the participant's employment by the Company or Successor Company without Cause, other than on account of the participant's death or disability, which termination occurs within the period beginning on the date of the Change of Control and ending 12 months following the Change of Control.
- Termination of Employment — Asset Sale. Notwithstanding anything else contained in this Plan to the contrary, a participant shall not be entitled to benefits under this Plan as a result of a termination of the participant's employment with the Company or Successor Company if such termination of employment occurs in connection with a sale of assets by the Company or Successor Company and each of the following conditions is satisfied in connection with such sale: (1) the participant becomes employed by the purchaser (which term shall include

for these purposes a parent, subsidiary, or other affiliated entity of such purchaser) of such assets upon or within sixty (60) days following such sale or such purchaser offers the participant employment effective upon or within sixty (60) days following such sale (regardless of whether the participant actually accepts or commences such employment) on substantially the same terms; and (2) such purchaser adopts this Plan (or a substantially similar severance plan) to provide the participant with substantially the same severance protections afforded by this Plan had this Plan continued in effect as to the participant after such sale on its terms (subject, without limitation, to any such entity's right to terminate this Plan as provided herein). Whether employment is on "substantially the same terms" for this purpose shall be determined by comparing the relevant aspects of the terms of the participant's employment before giving effect to such asset sale to the relevant aspects of the terms of the participant's employment (or offer of employment, as the case may be) with the purchaser after giving effect to such asset sale (in each case relative to the Company and its subsidiaries, or the purchaser and its parent, subsidiary, and other affiliated entities, as the case may be, on a consolidated basis, not simply with reference to the participant's employer).

3.3 Cause. For purposes of this Plan, Cause shall mean, as determined by the Plan Administrator:

- An employee's conviction of any felony or any crime involving fraud, dishonesty or moral turpitude;
- An employee's commission of, or participation in, a fraud or act of dishonesty against the Company or Successor Company that materially benefits the employee;
- An employee's intentional, material violation of any contract or agreement between the employee and the Company or Successor Company or of any statutory or fiduciary duty owed to the Company or Successor Company;
- An employee's intentional unauthorized use of Company or Successor Company property that materially benefits the employee or intentional unauthorized use or disclosure of Company or Successor Company confidential information or trade secrets;
- An employee's intentional gross misconduct or intentional material failure to comply with the Company's or Successor Company's written policies; or
- An employee's intentional material failure or refusal to perform his or her position responsibilities, other than on account of a mental or physical disability.

No act or failure to act on the part of an individual shall be considered "intentional" unless done, or omitted to be done, by that individual not in good faith and without reasonable belief that such individual's action or omission was in the best interest of the Company. In no event shall mere failure to achieve desired strategic, operational, financial or other results constitute Cause.

3.4 Good Reason Resignation. For purposes of this Plan, an Officer Participant's Good Reason Resignation shall mean a voluntary resignation by the Officer Participant following the occurrence of any of the following conditions without the Officer Participant's express written consent:

- Assignment of any authority, duties or responsibilities that results in a material diminution in the participant's authority, duties or responsibilities as in effect immediately prior to the Change of Control.
- Assignment to a work location more than 50 miles from the participant's immediately previous work location, unless such reassignment of work location decreases the participant's commuting distance from his or her residence to his or her assigned work location.
- A material diminution in the participant's monthly base salary as in effect on the date of the Change of Control or as increased thereafter.
- Notice to the participant by the Company or Successor Company during the 12-month period following the Change of Control that the participant's employment will be terminated under circumstances that would be a Covered Termination but for the designation of a date for termination that is greater than 12 months following the Change of Control (provided that such participant does in fact terminate his or her employment within the time period prescribed below).
- In the case of the Chief Executive Officer and President, such individual does not serve in that position in the Successor Company (as defined below) and/or is not appointed to the board of directors of the Successor Company.

provided, however, that any such condition shall not constitute grounds for a Good Reason Resignation unless both (x) the Officer Participant provides written notice to the Company of the condition claimed to constitute grounds for the Good Reason Resignation within sixty (60) days of the initial existence of such condition, and (y) the Company fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Officer Participant's employment with the Company shall not be treated as a Good Reason Resignation unless such termination occurs not more than six (6) months following the initial existence of the condition claimed to constitute "Good Reason."

3.5 Change of Control. A Change of Control with respect to the Company shall mean any of the following events or circumstances:

- The sale, lease or other disposition of all or substantially all of the Company's assets;
- The acquisition of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities, other than by virtue of a merger, consolidation or similar transaction;

- The merger, consolidation or similar transaction involving the Company, immediately after which the stockholders of the Company immediately prior thereto do not own either (i) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (ii) more than 50% of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such transaction; or
- Individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board, provided, however, that if the appointment or election of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of the Plan, be considered as a member of the Incumbent Board.

In the event of a Change of Control following which Nektar is not the surviving entity, the surviving entity for purposes of this Plan is the "Successor Company."

Section 4. Severance Benefits

A participant who is eligible to participate in this Plan in accordance with Section 2 and who becomes eligible to receive severance benefits under this Plan as determined under Section 3 shall be entitled to receive, subject to the terms and conditions herein, the following severance benefits set forth in this Section 4:

4.1 Cash Severance Pay; Amount. The amount of a participant's Cash Severance Pay benefit under this Plan shall be determined based on position title as follows, and then reduced as specified below:

- Chief Executive Officer and President: Cash Severance Pay shall equal 24 months of monthly base salary plus annual target incentive pay as in effect immediately prior to the Covered Termination or for the immediately preceding calendar year, whichever is greater.
- Senior Vice Presidents, Vice Presidents and Principal Fellows: Cash Severance Pay shall equal 12 months of monthly base salary plus annual target incentive pay as in effect immediately prior to the Covered Termination or for the immediately preceding calendar year, whichever is greater.
- All Other Participants: Cash Severance Pay shall equal 6 months of monthly base salary plus annual target incentive pay as in effect immediately prior to the Covered Termination or for the immediately preceding calendar year, whichever is greater.

Cash Severance Pay shall be reduced by each of the following:

- any severance benefits (including, without limitation, any other change-in-control severance benefits and any other severance benefits generally) that the participant may be entitled to under any other plan or program with the Company. For purposes of the foregoing, any cash severance benefits payable to the participant under any other plan or program with the Company (including, without limitation, the Company's Severance Benefit Plan or any similar successor plan) shall offset the Cash Severance Pay otherwise payable to the participant under this Plan on a dollar-for-dollar basis. For purposes of the foregoing, non-cash severance benefits to be provided to the participant under any other plan or program with the Company shall offset any corresponding benefits otherwise to be provided to the participant under this Plan or, if there are no corresponding benefits otherwise to be provided to the participant under this Plan, the value of such benefits shall offset the cash severance benefits otherwise payable to the participant under this Plan on a dollar-for-dollar basis. If the amount of other benefits to be offset against the Cash Severance Pay otherwise payable to the participant under this Plan in accordance with the preceding two sentences exceeds the amount of Cash Severance Pay otherwise payable to the participant under this Plan, then the excess may be used to offset other non-cash severance benefits otherwise to be provided to the participant under this Plan on a dollar-for-dollar basis. For purposes of this paragraph, the Plan Administrator shall reasonably determine the value of any non-cash benefits;
- any wages or wage replacement benefits paid or payable to the participant with respect to any applicable notice period (including any pay in lieu of notice) in connection with the participant's termination of employment, whether such notice period is required under the Worker Adjustment and Retraining Notification Act or any state law with respect to notice, if applicable, or any Company policy, or any written agreement between the participant and the Company;
- the amount of any wages or other compensation the participant has received during a leave of absence in excess of his or her accrued paid time off (other than disability plan income replacement benefits); and
- to the extent permitted by law, by any debt that the participant owes the Company at the time the Cash Severance Pay becomes payable;

provided that any reduction or offset under this provision does not create an impermissible acceleration of payments under Treasury Regulation Section 1.409A-1(j) to the extent that Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code") applies.

4.2 Cash Severance Pay; Time of Payment. The Cash Severance Pay for which a participant is eligible under this Plan will be paid to the participant in a lump sum cash payment no later than sixty (60) days following the date on which the participant's Separation from Service (as defined below) occurs, subject to the provisions of Section 3.1, but no event will any payment be made under this Plan after the end of the short-term deferral period as defined in Treasury Regulation section 1.409A-1(b)(4). Notwithstanding the foregoing sentence, if the participant is a "specified employee" within the meaning of Treasury Regulation section 1.409A-1(i) as of the date of the participant's Separation from Service, the participant shall not be entitled to any payment of Cash Severance Pay until the earlier of (i) the date which is six (6) months after the participant's Separation from Service for any reason other than death, or (ii) the date of the participant's death. Any amounts otherwise payable to the participant upon or in the six (6) month period following the participant's Separation from Service that are not so paid by reason of this paragraph shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the participant's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the participant's death). The provisions of this paragraph relating to the delay of payment shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

As used herein, a participant's "Separation from Service" occurs when the participant dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

4.3 COBRA Premiums. For an eligible participant who is covered by one or more of the Company's group health plans on the date of termination of employment and who makes a timely election to continue such coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the Company will pay the portion of such participant's COBRA premium equal to the portion of such group health plan premium cost the Company pays for active employees for the number of months base salary represented by the participant's Cash Severance Pay determined under Section 4.1 for up to a maximum of eighteen (18) months; provided that such payment of a portion of the COBRA premium by the Company shall cease earlier on the date the participant becomes eligible for group medical, dental or vision coverage through a subsequent employer. To the extent that the payment of any COBRA premiums pursuant to this Section 4.3 is taxable to the participant, any such payment shall be paid to the participant on or before the last day of the participant's taxable year following the taxable year in which the related expense was incurred. The participant's right to payment of such premiums is not subject to liquidation or exchange for another benefit and the amount of such benefits that the participant receives in one taxable year shall not affect the amount of such benefits that the participant receives in any other taxable year.

4.4 Outplacement Program. An eligible participant shall receive reimbursement for reasonable outplacement services up to a maximum of $5,000 for services received within 12 months following the participant's Separation from Service, any such reimbursement to be made in accordance with the Company's reimbursement policies generally and in all events not later than the end of the calendar year following the year in which the related expense was incurred.

The participant's right to benefits under this Section 4.4 is not subject to liquidation or exchange for another benefit and the amount of such benefits that the participant receives in one taxable year shall not affect the amount of such benefits that the participant receives in any other taxable year.

4.5 Withholding. All cash and reimbursement severance benefits provided under the Plan will be subject to all applicable withholding deductions as required by law.

4.6 Equity Acceleration. An eligible participant will become fully vested in any outstanding stock awards held by such participant as of the date of termination, including restricted stock and stock options unless otherwise provided for in the equity award agreement.

4.7 Limitation on Benefits Subject to Parachute Rules. Notwithstanding Section 4.1 and 4.6, in the event the severance benefits payable hereunder to a participant who is a "disqualified individual" within the meaning of Code Section 280G, together with all other payments to which such participant is entitled in connection with a Change of Control (collectively, the "Payments"), would cause any portion of the Payments to be nondeductible under Code Section 280G and subject to the excise tax imposed under Code Section 4999 (the "Excise Tax"), then:

(i) For each participant other than a New Participant (as defined below), the following rules shall apply:

(a) If a reduction in the amount of the Payments by an amount up to but not in excess of ten percent (10%) of the amount of the Payments would avoid the imputation of any Excise Tax on the remaining Payments (after such reduction), then the Payments shall be reduced (but not below zero) if and to the extent that such a reduction in the Payments would result in the participant retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if the participant received the entire amount of the Payments. The Company shall reduce or eliminate the Payments by first reducing or eliminating any Cash Severance Pay, then by reducing or eliminating any accelerated vesting of equity awards, then by reducing or eliminating any other remaining Payments.

(b) If a reduction in the amount of the Payments by 10% of the amount of the Payments would not avoid the imputation of any Excise Tax on the remaining Payments (after such reduction), then the Company shall pay to the participant (or to the applicable taxing authority on participant's behalf) an additional cash payment (the "Gross-Up Payment") equal to an amount such that after payment by the participant of all taxes, interest, penalties, additions to tax and costs imposed or incurred with respect to the Gross-Up Payment (including, without limitation, any income and excise taxes imposed upon the Gross-Up Payment), the participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon such Payment or Payments. The Gross-Up Payment, if triggered pursuant to this Section 4.7(i)(b), is intended to put the participant in the same position as the participant would have been had no Excise Tax been imposed upon or incurred as a result of any Payment. Any such Gross-Up Payment shall be paid as soon

as practicable and in all events no later than the end of the calendar year following the year in which the participant remits the related taxes.

(ii) For each participant that either (i) commenced employment with the Company on or after September 14, 2010; or (ii) commenced employment prior to September 14, 2010 but on or after September 14, 2010 was promoted to a position that would entitle the participant to additional benefits under this Plan as a result of the promotion (any participant meeting the description of (i) or (ii) is referred to herein as a "New Participant"), the following rule shall apply: If a New Participant's Payments are subject to the Excise Tax, then the Payments shall be reduced (but not below zero) if and to the extent that such a reduction in the Payments would result in the New Participant retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if the New Participant received the entire amount of the Payments. If the Payments are to be reduced pursuant to the preceding sentence, the Company shall reduce or eliminate the Payments by first reducing or eliminating any Cash Severance Pay, then by reducing or eliminating any accelerated vesting of equity awards, then by reducing or eliminating any other remaining Payments.

Section 5. Notices

Any notice or other communication under the Plan must be in writing and will be deemed given when delivered personally or when sent by certified or registered mail, return receipt requested, or by overnight courier, addressed as follows or to such other address as any party may hereafter designate in accordance with this provision:

If to Nektar or the Plan Administrator:

Nektar Therapuetics
455 Mission Bay Boulevard South
San Francisco, CA 94158
Attn: Vice President, Human Resources

If to the participant: to the address appearing in the payroll records of the Company.

Section 6. Claims

6.1 Initial Claims Procedure. Any employee who does not receive a benefit under the Plan that he or she feels he or she is entitled to receive may make a written claim to the Plan Administrator within 90 days after his or her termination, in accordance with the Notice provisions described above, and which explains the reasons for such claim. The claimant will be informed of the Plan Administrator's decision with respect to the claim within 90 days after it is filed. Under special circumstances, the Plan Administrator may require an additional period of not more than 90 days to review the claim. If that happens, the claimant will receive a written notice of that fact, which will also indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to make a determination with respect to the claim. If the extension is required due to the claimant's failure to submit information

necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent until the date on which the claimant responds to the Plan Administrator's request for information.

6.2 Notice of Claim Determination. If a claim is denied in whole or in part, or any adverse benefit determination is made with respect to the claim, the claimant will be provided with a written notice setting forth the reason for the determination, along with specific references to Plan provisions on which the determination is based. This notice will also provide an explanation of what additional information is needed to evaluate the claim (and why such information is necessary), together with an explanation of the Plan's claims review procedure and the time limits applicable to such procedure, as well as a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the determination, the notice will either provide that rule, guideline, protocol or other similar criterion or will contain a statement that it will be provided upon request.

6.3 Claims Appeal Procedure. If the claim has been denied, and the claimant wishes to pursue the claim further, the claimant must request that the Plan Administrator review the denial. The request must be in writing and must be made within 60 days after written notification of denial. In connection with this request, the claimant may review documents pertinent to the claim (other than those that are legally privileged) and may submit to the Plan Administrator written comments, documents, records, and other information related to the claim.

The review by the Plan Administrator will take into account all comments, documents, records, and other information that the claimant submits relating to the claim. The Plan Administrator will make a final written decision on a claim review, in most cases within 60 days after receipt of a request for a review. In some cases, the claim may take more time to review, and an additional processing period of up to 60 days may be required. If that happens, the claimant will receive a written notice of that fact, which will also indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to make a determination with respect to the claim. If the extension is required due to the claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the claimant until the date on which the claimant responds to the Plan's request for information.

6.4 Notice of Appeal Determination. The Plan Administrator's decision on the claim for review will be communicated to the claimant in writing. If an adverse benefit determination is made with respect to the claim, the notice will include (i) the specific reason(s) for any adverse benefit determination, with references to the specific Plan provisions on which the determination is based; (ii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to (and copies of) all documents, records and other information relevant to the claim (other than those that are legally privileged); and (iii) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the determination, the notice will either provide that rule, guideline, protocol or other similar criterion or will contain a statement that it will be provided upon request. The decision of Plan Administrator is final and binding on all parties.

6.5 Requirement to Follow Claims Procedures. If a claimant does not file his or her claim in accordance with the Plan's claim procedures described above, including applicable time limits, the claimant will not be entitled to benefits under this Plan.

6.6 Limitation on Legal Action. No legal action with respect to this Plan may be brought until a claimant has exhausted the claims procedures described above, including the claims appeal procedure. No legal action for coverage or benefits under the Plan may be commenced or maintained more than 2 years after the circumstances giving rise to the claim arose or, if earlier, 1 year after the claims procedures, including the claims appeal procedure, is exhausted.

Section 7. Plan Amendment and Termination

The Company reserves the right to amend or modify the Plan at any time, and in any respect, by action of its duly authorized officer, with or without prior notice to, and effective with respect to, employees who may become eligible to participate in the Plan or become eligible for benefits under the Plan in the case of a reduction in benefits payable under the Plan, or who may otherwise have become eligible to participate in the Plan in the case of an amendment that excludes such employees from eligibility to participate under the Plan. However, no such amendment or termination will be effective to: (i) decrease benefits under the Plan for which an employee has already met all of the eligibility criteria and payment conditions set forth herein or (ii) negatively or adversely impact the rights of the Chief Executive Officer and President hereunder without the written consent of the Chief Executive Officer and President. To the extent that Code Section 409A applies to any payment under this Plan, the Plan shall be terminated in accordance with Treasury Regulation section 1.409A-3(j)(4)(ix).

Section 8. Legal Rights Under ERISA

An employee covered under the Plan is entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). ERISA provides that employees covered under the Plan are entitled to:

Receive Information About the Plan and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series), if any, and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report (if any). The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of the Plan participants and beneficiaries. No one, including the employer or any other person, may fire an employee or otherwise discriminate against an employee in any way to prevent such employee from obtaining a welfare benefit or exercising such employee's rights under ERISA.

Enforcement of Rights

If a claim for a welfare benefit is denied or ignored, in whole or in part, the claimant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps an employee can take to enforce the above rights. For instance, if an employee makes a written request for a copy of Plan documents or the latest annual report from the Plan Administrator and does not receive them within 30 days, the employee may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide materials and pay the employee up to $110 a day until the employee receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If an employee has a claim for benefits that is denied or ignored, in whole or in part, the employee may file suit in a state or Federal court. If it should happen that Plan fiduciaries misuse the Plan's money or if an employee is discriminated against for asserting his or her rights, such employee may seek assistance from the U.S. Department of Labor, or such employee may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If the employee is successful, the court may order the person sued to pay these costs and fees. If the employee loses, the court may order the employee to pay these costs and fees, for example, if it finds the employee's claim is frivolous.

An employee who has any questions about the Plan should contact the Plan Administrator. An employee who has any questions about this statement or his or her rights under ERISA should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

Section 9. Other Important Information

9.1 No Additional Rights Created. Neither the establishment of this Plan, nor any modification thereof, nor the payment of any benefits hereunder, shall be construed as giving to any individual (or any beneficiary of either), or other person any legal or equitable right against the Company, or any of its affiliates, or any officer, director or employee thereof; and in no event shall the terms and conditions of employment by the Company (or any affiliate) of any individual be modified or in any way affected by this Plan.

9.2 Records. The records of the Company with respect to the determination of Eligible Years of Service, employment history, Base Pay, absences, and all other relevant matters shall be conclusive for all purposes of this Plan.

9.3 Construction. The Plan is intended to be governed by ERISA. The respective terms and provisions of the Plan shall be construed, whenever possible and for all purposes, to be in conformity with the requirements of ERISA, or any subsequent laws or amendments thereto. To the extent not in conflict with ERISA or the terms of the Plan, the construction and administration of the Plan shall be in accordance with applicable federal law and the laws of the State of California applicable to contracts made and to be performed within the State of California (without application of California conflict of laws provisions). Payments under the Plan are intended to be exempt from Code Section 409A (including the Treasury regulations and other published guidance relating thereto); however, to the extent that Code Section 409A is deemed to apply the provisions of the Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the participant.

9.4 Nontransferability of Benefits Rights. In no event shall the Company make any payment under this Plan to any assignee or creditor of an employee, except as otherwise required by law. Prior to the time of a payment hereunder, an employee shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan, nor shall rights be assigned or transferred by operation of law.

9.5 Plan Interpretation and Benefit Determination. The Plan is administered and operated by the Plan Administrator, which has complete authority, in such person or entity's sole and absolute discretion, to construe and interpret the terms of the Plan (and any related or underlying documents or policies), and to determine the eligibility for, and amount of, benefits due under the Plan. All such interpretations and determinations of the Plan Administrator shall be final and binding upon all parties and persons affected thereby. The Plan Administrator may appoint one or more individuals and delegate such of its powers and duties with respect to this Plan as it deems desirable to any such individual(s), in which case every reference herein made to the Plan Administrator shall be deemed to mean or include the appointed individual(s) as to matters within their jurisdiction as delegated by the Plan Administrator. The discretion and authority of the Plan Administrator under this Section 9.5 is subject to the notice, claims and appeals procedures set forth in Section 6.

Section 10. Important Plan Information

Sponsor's Name and Address:	Nektar Therapeutics 455 Mission Bay Boulevard South San Francisco, CA 94158
Plan Number:	503
Employer Identification Number:	94-3134940
Plan Administrator:	Nektar Therapeutics 455 Mission Bay Boulevard South San Francisco, CA 94158 Tel: (415) 482-5300 The Plan Administrator has delegated day-to-day administration of the Plan to the following person: Vice President, Human Resources
Agent to Receive Process:	Nektar Therapeutics 455 Mission Bay Boulevard South San Francisco, CA 94158 Attn: General Counsel
Type of Plan:	The Plan is an unfunded employee welfare benefit plan. Benefits under the Plan are paid from the general assets of Nektar Therapeutics. Benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation.
Effective Date:	January 1, 2007
Plan Year:	The calendar year, from January 1 to December 31.

EXHIBIT A

FORM OF SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (this "Agreement") is entered into this ___ day of _____ 20_, by and between _____, an individual ("Employee"), and Nektar Therapeutics, a Delaware corporation (the "Company").

WHEREAS, Employee has been employed by the Company or one of its subsidiaries; and

WHEREAS, Employee's employment by the Company or one of its subsidiaries has terminated and, in connection with the Company's Amended and Restated Change in Control Severance Plan (the "Plan"), the Company and Employee desire to enter into this Agreement upon the terms set forth herein;

NOW, THEREFORE, in consideration of the covenants undertaken and the releases contained in this Agreement, and in consideration of the Company's (or one of its subsidiaries') obligation to pay severance benefits (conditioned upon this release) under and pursuant to the Plan, Employee and the Company agree as follows:

1. Separation Date. Your last day of work is [_____, 20__] (the "Separation Date").

2. Accrued Salary and Paid Time Off.

(a) Accrued Salary. The Company will pay you on the Separation Date all accrued and unpaid salary through the Separation Date subject to applicable payroll deduction and withholding.

(b) Accrued Paid Time Off. The Company will pay you any accrued and unused paid time off earned by you through the Separation Date, subject to applicable payroll deduction and withholding. In the event you have negative paid time off balance, such amount will be deducted from your Severance (as defined below) as provided in Section 6(a).

3. Incentive Compensation. You will be eligible for payments under the Company's Discretionary Performance-Based Incentive Compensation Policy ("Bonus Plan") if the Company meets its corporate objectives and goals under the Bonus Plan for the six-month performance period that ended on **[**_____, 20__**]**. Your bonus payment (if any) will be based on the Company's corporate performance percentage rating such six-month performance period and your manager's rating of your individual performance, and will be paid to you at approximately the same time payments are made to the Company's employees under the Bonus Plan for such period. The foregoing payments (if any) are subject to standard payroll deductions and withholdings.

4. Payment in Full. You acknowledge and agree that you have received all salary, wages, accrued vacation, bonuses, commissions, expense reimbursements, or other such sums due to you other than the severance benefits to be paid or provided to you pursuant to the Plan.

In light of the payment by Company of all wages due, you and the Company further acknowledge and agree that California Labor Code § 206.5 is not applicable. That section provides in pertinent part as follows:

> No employer shall require the execution of any release of any claim or right on account of wages due, or to become due, or made as an event on wages to be earned, unless payment of such wages has been made.

5. Non-Disparagement. Both you and the Company (through its officers and directors) agree not to disparage the other party, and the other party's officers, directors, employees, shareholders and agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation; provided that both you and the Company shall respond accurately and fully to any question, inquiry or request for information when required by legal process.

6. Confidentiality. The provisions of this Agreement shall be held in strictest confidence by you and the Company and shall not be publicized or disclosed in any manner whatsoever; provided, however, that: (a) you may disclose this Agreement to your immediate family; (b) the parties may disclose this Agreement in confidence to their respective attorneys, accountants, auditors, tax preparers, and financial advisors; (c) the Company may disclose this Agreement as necessary to fulfill standard or legally required corporate reporting or disclosure requirements; and (d) the parties may disclose this Agreement insofar as such disclosure may be necessary to enforce its terms or as otherwise required by law.

7. Expense Reimbursements. You agree that, within ten (10) business days following the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

8. Return of Company Property. You agree that, on the Separation Date, you shall return to the Company all Company documents (and all copies thereof) and other Company property in your possession or control, including, but not limited to: Company files, email, notes, memoranda, correspondence, agreements, draft documents, notebooks, logs, drawings, records, plans, proposals, reports, forecasts, financial information, sales and marketing information, research and development information, personnel information, specifications, computer-recorded information, tangible property and equipment, cell phones, pagers, PDAs (*e.g.*, Blackberrys), credit cards, entry cards, identification badges and keys; and any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof in whole or in part). If you have used any personal computer, server, or e-mail system to receive, store, review, prepare or transmit any Company confidential or proprietary data, materials or information, you agree to provide the Company with a computer-useable copy of such information and then permanently delete and expunge such Company confidential or proprietary information from those systems; and you agree to provide the Company access to your system as requested to verify that the necessary copying and/or deletion is done. YOU AGREE NOT TO RETAIN ANY PAPER OR ELECTRONIC COPIES

OF ANY COMPANY DOCUMENTS OR DATA (INCLUDING BUT NOT LIMITED TO EMAIL) OTHER THAN THIS AGREEMENT AND OTHER DOCUMENTS EVIDENCING YOUR EMPLOYMENT RELATIONSHIP WITH THE COMPANY. **YOU WILL NOT BE ENTITLED TO ANY SEVERANCE BENEFITS UNLESS AND UNTIL YOU COMPLY FULLY WITH THE TERMS SET FORTH IN THIS PARAGRAPH.**

9. Employment Agreement Continues. Following the Separation Date, you have continuing obligations under your Employee Agreement with the Company which include, among other obligations, not to use or disclose any confidential or proprietary information of the Company.

10. Non-Solicitation. You agree that, for twelve (12) months following the Separation Date, you shall not, directly or indirectly (e.g. through directing a recruiting firm to target Company employees), without prior written consent of the Company, solicit or induce any employee of the Company to leave the employ of the Company.

11. General Release. Except as otherwise stated in this Agreement, and in exchange for the consideration given under the Plan, you hereby generally and completely release the Company and its subsidiaries, successors, predecessors and affiliates, and its and their respective partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date you sign this Agreement. This general release includes, but is not limited to:

(a) all claims arising out of or in any way related to your employment with the Company or the termination of that employment;

(b) all claims related to your compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, restricted stock units, or any other ownership interests in the Company;

(c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing;

(d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and

(e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended).

You represent that you have no lawsuits, claims or actions pending in your name, or on behalf of any other person or entity, against the Company or any other person or entity subject to the release granted in this paragraph.

Notwithstanding the release of claims otherwise provided for in this Section of the Agreement, it is expressly understood that nothing in this Agreement will prevent you from filing a charge of discrimination with the Equal Employment Opportunity Commission or any of its state or local deferral agencies, or participating in any investigation by the Equal Employment Opportunity Commission or any of its state or local deferral agencies, although you understand that by signing this Agreement, you waive the right to recover any damages or to receive other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local deferral agency on your behalf. Further, it is expressly understood that nothing in this Agreement shall be construed to be a waiver by you of any benefit that vested in any benefit plan prior to his termination date or as a waiver of his right to continue any benefit in accordance with the terms of a benefit plan. Likewise nothing in this Agreement shall be construed to waive any right that is not subject to waiver by private agreement, including any right that you may have under California Labor Code Section 2802 to indemnification of any expenses or losses incurred in discharging your duties. It is also expressly understood that nothing in this Agreement shall in any way prohibit you from bringing any complaint, claim or action seeking to challenge the validity of this Agreement and/or bringing any complaint claim or action alleging a breach of this Agreement by the Company.

12. [ADEA Waiver.[1] You acknowledge that your waiver and release of any rights you may have under ADEA is knowing and voluntary, and that the consideration given under the Plan (severance, COBRA payments, outplacement), in exchange for your general waiver and release, is in addition to anything of value to which you were already entitled. You are hereby advised that:

(a) your waiver and release do not apply to any rights or claims that may arise after the date you sign this Agreement;

(b) prior to signing this Agreement you should consult with an attorney (although you may choose voluntarily not to do so);

(c) you have **[**twenty-one (21)/forty-five (45)**]** days to consider this Agreement (although you may choose voluntarily to sign it earlier);

(d) you have seven (7) days following the date you sign this Agreement to revoke it by providing written notice to the Company's General Counsel;

(e) this Agreement shall not be effective until the revocation period expires which will be the eighth day after you sign this Agreement;

(f) nothing in this Agreement prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it

1 Section 12 will be included if the Employee is age 40 or older as of the date that the Employee's employment with the Company terminates or in such other circumstances (if any) as the Employee may have claims under the ADEA. In the event Section 12 is included, whether the Employee has 21 days, 45 days, or some other period in which to consider the Release Agreement will be determined with reference to the requirements of the ADEA in order for such waiver to be valid in the circumstances. The determinations referred to in the preceding two sentences shall be made by the Company in its sole discretion.

impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law; and

(g) in order to revoke this Agreement, you must deliver to Gil M. Labrucherie's attention at the following address a written revocation before 12:00 a.m. (midnight) Pacific Time on the seventh calendar day following the date you sign the Agreement:

Gil M. Labrucherie
General Counsel
Nektar Therapeutics
455 Mission Bay Boulevard South
San Francisco, CA 94158
(415) 482-5300

13. Waiver of Unknown Claims. You further agree and acknowledge that the release provided for in this Agreement shall apply to all unknown and unanticipated injuries and/or damages. You acknowledge and understand that Section 1542 of the Civil Code of the State of California provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her must have materially affected his/her settlement with the debtor.

Being aware of Section 1542 of the California Civil Code, you by signing this Agreement expressly waive the provision of Section 1542 of the California Civil Code and any similar provisions of law that may be applicable.

14. Entire Agreement; Modification. This Agreement, together with the Plan and your Employee Agreement, constitute the complete and only agreement between you and the Company on these subjects. You are agreeing to it without reliance on any promise or representation, written or oral, other than those expressly contained in this Agreement, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified except in a writing signed by both you and the Company's Vice President, Human Resources. This Agreement shall bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. Any determination that a provision of this Agreement is invalid or unenforceable, in whole or in part, will not affect any other provision of this Agreement, and the provision in question shall be modified by the court so as to be rendered enforceable in accordance with the intent of the parties to the extent possible.

If this Agreement is acceptable to you, please sign below and return the original to Human Resources on or before _____, 201_. You will not be entitled to any severance benefits under the Plan if we do not receive the fully executed Agreement from you by the aforementioned date and you do not revoke this Agreement within any revocation period provided under applicable law.

NEKTAR THERAPEUTICS

By: _____ Dated: _____

DORIAN RINELLA
SVP, HUMAN RESOURCES

[EMPLOYEE NAME]

_____ Dated: _____

NEKTAR THERAPEUTICS

2008 EQUITY INCENTIVE PLAN

Adopted by the Board of Directors on March 20, 2008
Approved by the Shareholders on June 6, 2008
Amended by the Board of Directors on September 14, 2010
Termination Date: March 20, 2018

1. PURPOSES.

(a) Adoption. The 2008 Equity Incentive Plan was approved by the Board of Directors on March 20, 2008.

(b) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(c) Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(d) General Purpose. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "***Affiliate***" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "***Board***" means the Board of Directors of the Company.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended.

(d) "***Committee***" means a Committee appointed by the Board in accordance with subsection 3(c).

(e) "***Common Stock***" means the common stock of the Company.

(f) "***Company***" means Nektar Therapeutics, a Delaware corporation.

(g) "***Consultant***" means any person, including an advisor, (1) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for

such services or (2) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors of the Company who are not compensated by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.

(h) "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(i) "***Covered Employee***" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(j) "***Director***" means a member of the Board of Directors of the Company.

(k) "***Disability***" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "***Employee***" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(m) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(n) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq Global Select Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(o) "***Incentive Stock Option***" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "***Non-Employee Director***" means a Director of the Company who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(q) "***Nonstatutory Stock Option***" means an Option not intended to qualify as an Incentive Stock Option.

(r) "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(t) "***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(u) "***Optionholder***" ***or "Optionee"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(v) "***Outside Director***" means a Director of the Company who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(w) "***Participant***" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(x) "***Plan***" means this Nektar Therapeutics 2008 Equity Incentive Plan.

(y) "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(z) "***Securities Act***" means the Securities Act of 1933, as amended.

(aa) "***Stock Award***" means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(bb) "***Stock Award Agreement***" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(cc) "***Ten Percent Stockholder***" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. Administration.

(a) Administration by Board. The Board will administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee"

shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) Committee Composition when Common Stock is Publicly Traded. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (i) delegate to a committee of one or more members of the Board who are not Outside Directors, the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (ii) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares Subject to the Plan.

(a) Share Reserve. Subject to the provisions of Section 11 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate Nine Million (9,000,000) shares of Common Stock. Subject to Section 4(b), the number of shares available for issuance under the Plan shall be reduced by (i) one (1) share for each share of stock issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that is issued pursuant to a stock bonus award or restricted stock award under Section 7.

(b) Reversion of Shares to the Share Reserve. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full or if any shares of Common Stock issued to a Participant pursuant to a Stock Award are forfeited to or reacquired or repurchased by the Company, including, but not limited to, any forfeiture, reacquisition or repurchase caused by the failure to meet a contingency or condition required for the vesting of such shares, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan at the rate of (i) one (1) share for each share of stock that had been issued pursuant to an Option granted under Section 6, and (ii) one and one-half (1.5) shares for each share that had been issued pursuant to a stock bonus award or restricted stock award under Section 7; *provided, however,* that if any unvested Common Stock

acquired pursuant to a Stock Award is forfeited to or reacquired or repurchased by the Company, the unvested stock forfeited to or reacquired or repurchased by the Company shall revert to and again become available for issuance under the Plan for all Stock Awards other than Incentive Stock Options.

(c) Source of Shares. The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. Eligibility.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) Ten Percent Stockholders. No Ten Percent Stockholder shall be eligible for the grant of an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Section 162(m) Limitation. Subject to the provisions of Section 11 relating to adjustments upon changes in stock, no employee shall be eligible to be granted Options covering more than Three Million (3,000,000) shares of the Common Stock during any calendar year.

(d) Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (*e.g.*, on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Incentive Stock Option shall be exercisable after the expiration of eight (8)

years from the date it was granted. No Nonstatutory Stock Option shall be exercisable after the expiration of eight (8) years from the date it was granted.

(b) Exercise Price of an Incentive Stock Option. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Exercise Price of a Nonstatutory Stock Option. The exercise price of each Nonstatutory Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) Consideration.

(i) The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (A) in cash at the time the Option is exercised or (B) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) by delivery to the Company of other Common Stock, according to a deferred payment or other similar arrangement (which may include, without limiting the generality of the foregoing, the use of other Common Stock) with the Participant or in any other form of legal consideration that may be acceptable to the Board; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(ii) Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(iii) In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(e) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be

exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing provisions of this subsection 6(e), the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing provisions of this subsection 6(f), the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments which may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(h) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the expiration of a period of three (3) months (or such longer or shorter period specified in the Option Agreement) after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) Disability of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. The Optionholder may exercise his or her Option, but only within such period of

time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) Death of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then, subject to any restrictions in the Option Agreement, the Option shall become fully vested and exercisable as of the date of termination. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased may be subject to an unvested share repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

7. Provisions of Stock Awards Other than Options.

(a) Stock Bonus Awards. Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(b) Consideration. A stock bonus shall be awarded in consideration for past services actually rendered to the Company for its benefit.

(c) Vesting. Shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(d) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of

the stock bonus agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the stock bonus agreement, the shares acquired pursuant to the stock bonus agreement shall become fully vested as of the date of termination.

(e) Transferability. Rights to acquire shares under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(f) Restricted Stock Awards. Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(g) Purchase Price. The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. The purchase price shall not be less than one hundred percent (100%) of the stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(h) Consideration. The purchase price of stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(i) Vesting. Shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(j) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the restricted stock purchase agreement; provided, however, that in the event a Participant's Continuous Service terminates as a result of the Participant's death, then, subject to any restrictions in the restricted stock purchase agreement, the shares acquired pursuant to the restricted stock purchase agreement shall become fully vested as of the date of termination.

(k) Transferability. Rights to acquire shares under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

8. Covenants of the Company.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. Use of Proceeds From Stock.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

10. Miscellaneous.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant or other holder of Stock Awards any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice

and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring the stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (iii) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (iv) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock. The Participant is solely responsible for satisfaction of all federal, state or local tax withholding obligations relating to the exercise or acquisition of stock under a Stock Award and no shares of Common Stock will be issued until the Company has received a definitive agreement or other documentation satisfactory to the

Company, in its sole discretion, that such withholding obligations have been or will be satisfied by the Participant.

11. Adjustments Upon Changes in Stock.

(a) Capitalization Adjustments. If any change is made in the stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Stock Awards. Such adjustments shall be made by the Board, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then such Stock Awards shall be terminated if not exercised (if applicable) prior to such event.

(c) Corporate Transaction. In the event of (1) a sale, lease or other disposition of all or substantially all of the assets of the Company, (2) a merger or consolidation in which the Company is not the surviving corporation or (3) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (a "Corporate Transaction"), then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the Corporate Transaction) for those outstanding under the Plan. In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such Corporate Transaction. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such Corporate Transaction.

(d) Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of

the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute, a Corporate Transaction described in subsection 11(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

12. Amendment of the Plan and Stock Awards.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent o**f the Participant and (ii) the Participant consents in writing.**

(f) Repricing of Stock Awards. Without prior stockholder approval, the Board will not effect a "repricing" (as hereinafter defined) of any Stock Awards under the Plan. For purposes of the immediately preceding sentence, a "repricing" shall be deemed to mean any of the following actions: (a) the lowering of the purchase price of a Stock Award after it is granted; (b) the canceling of a Stock Award in exchange for another Stock Award at a time when the purchase price of the cancelled Stock Award exceeds the Fair Market Value of the underlying stock (unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off, dissolution, winding up or other similar corporate transaction with respect to the Company or any subsidiary of the Company to which the holder of such Stock Award is providing or had provided service); or (c) the purchase of a Stock Award for cash or other

consideration at a time when the purchase price of the purchased Stock Award exceeds the Fair Market Value of the underlying stock (unless the purchase occurs in connection with a merger, acquisition, spin-off, dissolution, winding up or other similar corporate transaction with respect to the Company or any subsidiary of the Company to which the holder of such Stock Award is providing or had provided service).

13. Termination or Suspension of the Plan.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on March 20, 2018. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the Participant.

14. Effective Date of Plan.

The Plan shall become effective upon adoption by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. Choice of Law.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

December 10, 2009

Stephen K. Doberstein, Ph.D.
[Home Address]

Dear Steve:

I am pleased present to you with this offer letter agreement (the "Letter Agreement") setting forth certain terms and conditions of your employment as Senior Vice President & Chief Scientific Officer at Nektar Therapeutics ("Nektar" or the "Company"), reporting to me. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Company's Change of Control Severance Benefit Plan, as it may be amended from time to time (the "COC Plan" a copy of which is enclosed herewith).

Your annual cash compensation will consist of two components: base salary and an annual performance bonus. Your base salary will be $400,000 on an annual basis and paid in accordance with Nektar's regular payroll schedule. Your annual performance bonus target each year will be at least 50% of your annual base salary for each annual period commencing in 2010 ("Target Annual Bonus"). Your base salary and Target Annual Bonus shall be subject to annual performance review by the Compensation Committee of the Board of Directors ("Compensation Committee") in consultation with me. The actual amount of your annual performance bonus will range from 0% to 200% of the Target Annual Bonus based on the Compensation Committee's assessment in consultation with me of the achievement of a combination of annual corporate objectives and your achievement of personal objectives agreed upon by you and me at the beginning of each annual performance period commencing in 2010. Your annual performance bonus for a particular year will be paid not later than March 15 of the following year.

Effective as of your first day of full-time employment with Nektar ("Start Date", which we currently anticipate to be January 6, 2010), you will be granted a non-statutory stock option to purchase 540,000 shares of Nektar common stock under Nektar's 2000 Equity Incentive Plan ("2000 Plan"). The exercise price will be set at the closing price of Nektar's common stock on Nasdaq on your Start Date in the case of the Initial Option. The shares subject to the Initial Option will vest according to a 4-year vesting schedule for so long as you provide Continuous Service (as defined in the 2000 Plan) to the Company with 25% of the shares subject to the stock option vesting on the one year anniversary of your Start Date and the remainder vesting monthly on a pro-rata basis over the following 3 years.

You will be eligible for annual equity awards, in the sole discretion of the Compensation Committee, based on the Compensation Committee's review, in consultation with me, of your individual performance and annual equity compensation levels of senior executive officers with similar roles at comparator companies as analyzed by a reputable, nationally-recognized, independent compensation consultancy firm.

You are also eligible to participate in Nektar's standard employee benefits programs including Medical, Dental and Vision Insurance, Term Life Insurance, 401(k), ESPP, Flexible Health Spending Account, Short & Long Term Disability, COC Plan and the terms specified in those plans.

In addition, you will also be entitled to a one-time aggregate sign-on bonus of $150,000 (the "Sign-On Bonus"), less applicable taxes and withholdings, which will be included with your first regular payroll payment following your Start Date. If you resign or are terminated by the Company without Cause prior to the first anniversary of your Start Date, you agree to repay the Sign-On Bonus within thirty days of your last day of employment.

Your employment is by continued mutual agreement and may be terminated at will with or without cause by either you or Nektar at any time with or without advanced notice. You have also entered into Nektar's standard Employment Agreement and such agreement contains certain terms and conditions of your employment with Nektar other than those set forth herein.

In the event that your employment terminates due to your death or Disability (as defined in the Company's 2000 Equity Incentive Plan), (a) 50% of the then-unvested portion of any outstanding stock options granted to you by the Company will automatically vest in the event of your Disability (with the remainder of such unvested portion terminating immediately thereafter), and 100% of the then-unvested portion of any outstanding stock options granted to you by the Company shall automatically vest in the event of your death, (b) Nektar will pay to you or your estate, as applicable, all unreimbursed expenses, all of your then accrued but unpaid base salary, and your target bonus prorated for the portion of the last year in which you were employed by Nektar prior to death or Disability, and (c) you and your dependents shall be entitled to continued medical, dental, and vision insurance, at your or their expense, at the same level of coverage as was provided to you and your dependents under Nektar's insurance and benefits plans immediately prior to the termination by electing COBRA continuation coverage in accordance with applicable law.

In the event your employment is terminated for reasons not related to a Change of Control (a) by the Company without Cause, or (b) by you for a Good Reason

Resignation, then you and the Company will meet in good faith to discuss the terms of an appropriate separation. In any event, at a minimum, the Company will enter into a severance arrangement with you which will include the following: (i) a fully effective waiver and release in such form as the Company may reasonably require, (ii) a cash severance payment equal to your total annual cash compensation target (defined as your then current monthly base salary annualized for 12 months, plus your bonus target multiplied by the expected pay-out percentage used by the Company for its GAAP financial statements in the previous calendar quarter, but not to exceed 100%), payable in accordance with the severance payment schedule described in Section 4.2 of the COC Plan (including, without limitation and as applicable, the six-month delay for payments to "specified employees" as set forth in such section), (iii) the exercise period for the portion of your outstanding stock options that are vested as of your termination date shall be 12 months following the termination date (subject to earlier termination at the end of the option term or in connection with a change in control of the Company in accordance with the applicable option plan and agreement), and (iv) the Company shall pay all applicable COBRA payments for you and your family for one year after the termination date (such payments shall cease in the event that you become eligible for comparable benefits with another employer).

Any reimbursements pursuant to the foregoing provisions of this Letter Agreement shall be made in accordance with the Company's reimbursement policies, practices and procedures in effect from time to time and shall be paid as soon as reasonably practicable and in all events not later than the end of the calendar year following the year in which the related expense was incurred. Your rights to reimbursement hereunder are not subject to liquidation or exchange for another benefit and the amount of expenses eligible for reimbursement in one calendar year shall not affect the amount of expenses eligible for reimbursement in any other year. Any tax gross-up payments made pursuant to the foregoing provisions of this Letter Agreement shall be made as soon as practicable and in all events not later than the end of the calendar year following the year in which you remit the related taxes.

The terms, compensation and benefits set forth in this Letter Agreement shall be governed by California law without reference to principles of conflicts of laws, may not be reduced without your prior written consent and shall be binding upon and inure to the benefit of (a) your heirs, executors, and legal representatives upon your death and (b) any person or entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or a majority of the assets, business, capital stock, or voting stock of Nektar. Any such person or entity shall be deemed substituted for Nektar under this Letter Agreement for all purposes.

The compensation and benefits payable hereunder are intended to either be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), so as not to subject you to payment of any additional tax,

penalty or interest imposed under Section 409A. The provisions of this offer letter shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable you.

Steve, we are delighted at the prospect of your continued leadership as a key member of Nektar's executive team. This offer set forth in this Letter Agreement will expire at the close of business on December 8, 2009.

Sincerely,

/s/ Howard W. Robin
Howard W. Robin
President and Chief Executive Officer

ACCEPTED:

/s/ Stephen K. Doberstein
Stephen K. Doberstein, Ph.D.

Date: December 14, 2009

EXHIBIT 10.28

FOIA CONFIDENTIAL TREATMENT REQUESTED

EXECUTION COPY

NEKTAR THERAPEUTICS,

AEROGEN, INC.,

AND

BAYER HEALTHCARE LLC

CO-DEVELOPMENT, LICENSE AND CO-PROMOTION AGREEMENT

AUGUST 1, 2007

TABLE OF CONTENTS

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

CO-DEVELOPMENT, LICENSE AND CO-PROMOTION AGREEMENT

This Co-Development, License and Co-Promotion Agreement (the **"Agreement"**) is made and entered into as of the 1st day of August, 2007 (the **"Effective Date"**) among **NEKTAR THERAPEUTICS,** a Delaware corporation with a principal place of business at 150 Industrial Road, San Carlos, California 94070 U.S.A. (**"Nektar"**), **AEROGEN, INC.**, a Delaware corporation with a principal place of business at 150 Industrial Road, San Carlos, California 94070 U.S.A. (**"Aerogen"**), a wholly-owned subsidiary of Nektar, and **BAYER HEALTHCARE LLC,** a Delaware corporation with a principal place of business at 555 White Plains Road, Tarrytown, New York 01591 U.S.A. (**"Bayer"**). Nektar and Bayer are sometimes referred to herein individually as a "Party" and collectively as the "Parties" (which terms shall not include Aerogen). Except as otherwise provided in Section 20.14 hereof, references to **"Nektar," "Aerogen,"** and **"Bayer"** shall not include their respective Affiliates.

Recitals

Whereas, Nektar is a biotechnology company engaged in the research, development, and commercialization of pharmaceutical compounds and devices for delivering such compounds;

Whereas, Bayer is a pharmaceutical company engaged in the research, development and commercialization of products useful in the amelioration, treatment and/or prevention of human diseases and conditions;

Whereas, Nektar has developed and is conducting clinical trials of a pharmaceutical product consisting of a liquid formulation of the antibiotic known as Amikacin delivered using a nebulizer device based on Nektar's proprietary pulmonary drug delivery system;

Whereas, Bayer and Nektar desire to collaborate in certain activities to develop such product in both "**[***]**" and "**[***]**" configurations for the treatment of [***] infections;

Whereas, Bayer and Nektar desire to collaborate in the promotion and commercialization of such product to expand the availability of, and access by patients to, such product worldwide; and

Whereas, Bayer desires to obtain, and Nektar and Aerogen are willing to grant to Bayer, a license under Nektar's and Aerogen's proprietary technology to import, develop, commercialize, make, promote, market, use, offer for sale and sell a product based upon such pulmonary delivery of liquid Amikacin, on the terms and conditions provided in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the covenants and promises contained in this Agreement and intending to be legally bound, the Parties agree as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings:

1.1 "[***]" has the meaning set forth in the **[***]**.

1.2 "[***]" has the meaning set forth in the **[***]**.

1.3 "ACCME Standards" means the standards set forth by the Accreditation Council for Continuing Medical Education relating to educating the medical community in the United States.

1.4 "Aerogen" has the meaning set forth in the Preamble.

1.5 "Affiliate" means a corporation, partnership, trust or other entity that directly, or indirectly through one or more intermediates, controls, is controlled by or is under common control with a specified Party. For such purposes, "control," "controlled by" and "under common control with" shall mean the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting equity, voting member or partnership interests, control of a majority of the board of directors or other similar body, by contract or otherwise. In the case of a corporation, the direct or indirect ownership of more than fifty percent (50%) of its outstanding voting shares or the ability otherwise to elect a majority of the board of directors or other managing authority of the entity shall in any event be presumptively deemed to confer control, it being understood that the direct or indirect ownership of a lesser percentage of such shares shall not necessarily preclude the existence of control.

1.6 "Agent" means any Third Party that is hired by, licensed by, sublicensed by or otherwise contractually associated with a Party during the term of this Agreement to the extent useful or necessary for the Party to fulfill its obligations under this Agreement.

1.7 "Agreement" means this Co-Development, License and Co-Promotion Agreement, all amendments and supplements to this Co-Development, License and Co-Promotion Agreement and all schedules and exhibits to this Co-Development, License and Co-Promotion Agreement.

1.8 "Allowable Expenses" means those expenses incurred in connection with Commercialization of Product in the Shared Territory (excluding Pre-Launch Costs) that are consistent with the approved Commercialization Plan and Commercialization Budget for the Shared Territory and are specifically attributable to Product in the Shared Territory, and shall

consist of (a) Cost of Goods Sold, (b) Marketing Expenses, (c) Distribution Expenses, (d) Post-Launch Product R&D Expenses, and (e) Regulatory Expenses (as such terms are defined in Exhibit 1.8). Allowable Expenses also includes all GSM Expenses (as defined in Exhibit 1.8), whether incurred with respect to the Shared Territory or the Royalty Territory, as more fully described in Exhibit 1.8.

1.9 "Amikacin" means the **[***]**.

1.10 "Applicable Law" means all applicable laws, rules, and regulations, including, without limitation, any rules, regulations, guidelines or other requirements of the Regulatory Authorities or other governmental authorities, that may be in effect from time to time in any relevant legal jurisdiction in the Territory.

1.11 "Bayer" has the meaning set forth in the Preamble.

1.12 "Change of Control" means that a Third Party shall have become the beneficial owner of securities representing fifty-one percent (51%) or more of the aggregate voting power of the then-outstanding voting securities of a Party, or any sale by a Party of all or substantially all of its business or assets pertaining to the Product.

1.13 "CIA" means the Corporate Integrity Agreement between the Office of Inspector General of the Department of Health and Human Services and Bayer Corporation dated January 23, 2001.

1.14 "Clinical Trials" means Phase I Clinical Trials, Phase II Clinical Trials, Phase III Clinical Trials, Phase IV Clinical Trials, and/or variations of such trials (e.g., Phase II/III) as those terms are defined by the FDA.

1.15 "CMC Data" means any and all Information contained in, as well as data supporting, the Chemistry, Manufacturing and Control sections (or sections corresponding thereto) of an NDA, or other equivalent regulatory filing, relating to the Product.

1.16 "Commencement" or "Commence" means, when used with respect to Clinical Trials (or the local equivalent), the date of enrollment of the first patient or subject in such Clinical Trials (or the local equivalent).

1.17 "Commercialization" means all activities undertaken relating to the manufacture for commercial use, marketing, and/or sale of the Product, including without limitation Pre-Launch Activities, advertising, education, planning, marketing, promotion, distribution, market and product support, and shall include post-launch medical activities such as Phase IV Clinical Trials anywhere in the world but shall exclude Development activities. **"Commercialize"** shall have a corresponding meaning.

1.18 "Commercialization Budget" has the meaning set forth in Section 7.1(b).

1.19 "Commercialization FTE" means the equivalent of an employee working **[***]** labor hours per year on Commercialization of Product.

1.20 "Commercialization FTE Rate" means the overall rate, as determined by the JFC pursuant to Section 3.3(b), to be applied to each Commercialization FTE employed by Bayer or Nektar providing support for or involved in Commercialization of Product in the Shared Territory, including without limitation **[***]** and **[***]**, in each year.

1.21 "Commercialization Plan" has the meaning set forth in Section 7.1(b).

1.22 "Commercial Launch" means the first arm's length commercial sale of the Product by Bayer, an Affiliate of Bayer or a Sublicensee of Bayer to a Third Party (including without limitation any final sale to a distributor or wholesaler under any non-conditional sale arrangement) in a country where Regulatory Approval of such Product has been obtained by or on behalf of Bayer; provided, however, that in no event shall any sale or distribution of the Product for Pre-Launch Activities or use in a Clinical Trial be deemed a Commercial Launch.

1.23 "Commercially Reasonable Efforts" means, with respect to the Exploitation of the Product, the level of efforts and resources (including without limitation the promptness with which such efforts and resources would be applied) commonly used in the pharmaceutical industry with respect to a product of similar commercial potential at a similar stage in its development or product life, taking into consideration its safety and efficacy, its cost to develop, manufacture and bring to market, the prevalence of the indication, the competitiveness of alternative products of Third Parties, the Patent and other proprietary position of such product, the likelihood of Regulatory Approval, its profitability and all other relevant factors. Commercially Reasonable Efforts shall be determined on a market-by-market basis for the Product.

1.24 "Competitive Product" means a product containing an **[***]** that is labeled for amelioration, treatment or prevention of **[***]** and that includes technology that, **[***]**.

1.25 "Completion" means, when used with respect to a Clinical Trial (or the local equivalent), the date on which the Party conducting the Clinical Trial completes the final report for such Clinical Trial (or the local equivalent).

1.26 "Confidential Information" has the meaning set forth in Section 15.1.

1.27 "Control" means, with respect to any item of Information, Patent, Patent Application, know-how or other intellectual property right, the right to grant a license or sublicense with respect thereto as provided for in this Agreement, without violating the terms of any agreement or other arrangement with, or any legal rights of, or without requiring the consent of, any Third Party.

1.28 "Damages" has the meaning set forth in Section 14.1.

1.29 "Develop" or "Development" means all activities relating to obtaining Regulatory Approval of the Product and all manufacturing activities undertaken prior to Commercialization (including without limitation those activities reasonably required for the scale up of Manufacturing processes or equipment in preparation for commercial supply of Product). This includes, for example, (a) preclinical testing, toxicology, formulation, clinical studies, including without limitation Clinical Trials, and regulatory affairs and (b) manufacturing process development for bulk and finished forms of the Device or the Product, as applicable, production of clinical supply of Product, and manufacturing and quality assurance technical support activities prior to the commencement of Pre-Launch Activities, but excludes Manufacturing for Commercialization purposes.

1.30 "Development Budget" has the meaning set forth in Section 4.2(a).

1.31 "Development Costs" means the expenses incurred by a Party or for its account after the Effective Date that are consistent with the approved Development Plan and are specifically attributable to the Development of the Product.

1.32 "Development Plan" has the meaning set forth in Section 4.2(a).

1.33 "Device" means a nebulizer device comprising at least an **[***]**.** The current embodiment of the Device is set forth in Exhibit 1.33.

1.34 "Device Budget" has the meaning set forth in Section 4.2(a).

1.35 "DMF" means, as the case may be, either a drug master file or a device master file maintained with the FDA and the equivalent thereof, if any, in jurisdictions outside the Shared Territory.

1.36 "Dollar" means a U.S. dollar, and **"$"** shall be interpreted accordingly.

1.37 "Drug Budget" has the meaning set forth in Section 4.2(a).

1.38 "EMEA" means the European Medicines Agency, or any successor thereto, which coordinates the scientific review of human pharmaceutical products under the centralized licensing procedure in the European Union.

1.39 "European Union" means the countries that are members of the European Union as of the Effective Date of this Agreement or that become members of the European Union thereafter.

1.40 "Exploitation" means the making, having made, using, having used, selling, having sold, offering for sale and/or otherwise disposing of, the Product, including,

without limitation, all discovery, research, development (including without limitation the conduct of Clinical Trials), registration, modification, enhancement, improvement, manufacturing, labeling, storage, formulation, exportation, importation, optimization, transportation, distribution, promotion and marketing activities related thereto.

1.41 "FDA" means the United States Food and Drug Administration, or any successor thereto, having the administrative authority to regulate the marketing of human pharmaceutical products or biological therapeutic products, delivery systems and devices in the United States.

1.42 "Field" means the amelioration, treatment and/or prevention in humans of **[***]**.

1.43 "Force Majeure Event" has the meaning set forth in Section 20.4.

1.44 "Formulated Amikacin" means Amikacin in a liquid formulation existing as of the Effective Date or developed pursuant to this Agreement for use in Pulmonary Delivery by means of the Device.

1.45 "Fully Burdened Manufacturing Costs" means, as applicable to Device, Formulated Amikacin, or Product manufactured by Nektar or its Third Party supplier, Nektar's or its Affiliate's cost of manufacturing such Device, Formulated Amikacin, or Product for Development or Commercial purposes, which is equal to the sum of (a) for the Device, Formulated Amikacin or Product (or components thereof) made by Nektar, the costs of all direct material, direct labor, and allocable manufacturing overhead consumed, provided or procured by Nektar, in each case for the manufacture of the Device, Formulated Amikacin, or Product, and (b) for Device, Formulated Amikacin, or Product (or components thereof) made by Nektar's Third Party supplier, the out-of-pocket costs paid to such Third Party supplier by Nektar, to the extent such costs in (a) and (b) are incurred by Nektar or its Affiliates and to the extent they are reasonably allocable to the manufacture of such Device, Formulated Amikacin, or Product. For clarity, Fully Burdened Manufacturing Cost shall not include any costs of scaling up Manufacturing for the Device or Formulated Amikacin, Development Costs, or capital expenses (but shall include depreciation on capital expenses incurred for the Manufacture of Device, Formulated Amikacin, or Product). Fully Burdened Manufacturing Cost shall be calculated in a manner consistent with GAAP, consistently applied.

1.46 "GAAP" means United States generally accepted accounting principles consistently applied.

1.47 "Global Brand Team" or "GBT" has the meaning set forth in Section 3.1.

1.48 "Global Phase IV Costs" means the expenses incurred in the conduct of Global Phase IV Trials.

1.49 "Global Phase IV Trial" means any Phase IV Clinical Trial that is conducted in order to benefit the Product in multiple countries, which countries include, but are not limited to, the Shared Territory, regardless of the country in which it is conducted.

1.50 "Global Project Team" or "GPT" has the meaning set forth in Section 3.1.

1.51 "Global Strategic Marketing Team" or "GSM" means the internal Bayer marketing group that will oversee the global marketing, strategy and planning for the Product, in which **[***]** will participate with respect to Product-related matters.

1.52 "Good Clinical Practices" or "GCP" means the standards, practices and procedures set forth in the guidelines entitled in "Good Clinical Practice: Consolidated Guideline," including related regulatory requirements imposed by the FDA and (as applicable) any equivalent or similar standards in jurisdictions outside the Shared Territory.

1.53 "Good Laboratory Practices" or "GLP" means the regulations set forth in 21 C.F.R. Part 58 and the requirements expressed or implied thereunder imposed by the FDA and (as applicable) any equivalent or similar standards in jurisdictions outside the Shared Territory.

1.54 "Good Manufacturing Practices" or "GMP" means the regulations set forth in 21 C.F.R. Parts 210—211, 820 and 21 C.F.R. Subchapter C (Drugs), Quality System Regulations and the requirements thereunder imposed by the FDA, and, as applicable, any similar or equivalent regulations and requirements in jurisdictions outside the Shared Territory.

1.55 "IAS" means International Accounting Standards consistently applied.

1.56 "IFRS" means International Financial Reporting Standards consistently applied.

1.57 "IND" means an Investigational New Drug application for the Product, which must be approved by the FDA (or foreign equivalent) before shipment of such Product intended for administration to humans.

1.58 "Indemnified Party" has the meaning set forth in Section 14.3(a).

1.59 "Indemnifying Party" has the meaning set forth in Section 14.3(a).

1.60 "Information" means ideas, inventions, discoveries, concepts, formulas, practices, procedures, processes, methods, knowledge, know-how, trade secrets, technology, designs, drawings, computer programs, skill, experience, documents, apparatus, results, clinical and regulatory strategies, test data, including without limitation pharmacological, toxicological and clinical data, analytical and quality control data, manufacturing data and descriptions, Patent

and legal data, market data, financial data or descriptions, devices, assays, chemical formulations, specifications, compositions of matter, product samples and other samples, physical, chemical and biological materials and compounds, and the like, in written, electronic or other form, now known or hereafter developed, whether or not patentable.

1.61 "Initial Public Disclosure" has the meaning set forth in Section 16.1.

1.62 "Inventions" has the meaning set forth in Section 11.2(a).

1.63 "Joint Finance Committee" or "JFC" has the meaning set forth in Section 3.1.

1.64 "Joint Inventions" has the meaning set forth in Section 11.2(a).

1.65 "Joint Patent Rights" has the meaning set forth in Section 11.3(a)(iii).

1.66 "Joint Steering Committee" or "JSC" has the meaning set forth in Section 3.1.

1.67 "Launch Budget" has the meaning set forth in Section 7.2(a).

1.68 "Launch Plan" has the meaning set forth in Section 7.2(a).

1.69 "Local Phase IV Costs" means the expenses incurred in the conduct of Local Phase IV Trials.

1.70 "Local Phase IV Trial" means any Phase IV Clinical Trial that is conducted in order to benefit the Product only in the country in which it is conducted.

1.71 "MAA" means a marketing authorization application filed with the EMEA for Regulatory Approval to import, market and sell the Product in the European Union.

1.72 "Manufacture" or **"Manufacturing"** means the activities to be performed by Nektar and Bayer in connection with the manufacture, testing (including without limitation quality control, quality assurance and lot release testing), bulk packaging and/or storage of Formulated Amikacin, the Device, and/or the Product, as applicable.

1.73 "Manufacturing and Supply Agreement" has the meaning set forth in Section 9.1(a).

1.74 "Milestone Payments" has the meaning set forth in Section 8.3.

1.75 "Minimum Acceptable Commercialization Profile" or "MACP" means the characteristics of Product that must be satisfied in order to enable Commercialization of the Product, as set forth in Exhibit 1.75.

1.76 "[***]" has the meaning set forth in Section 7.4.

1.77 "Nektar" has the meaning set forth in the Preamble.

1.78 "Nektar Know-How" means all Information that is (a) Controlled by Nektar or Aerogen as of the Effective Date or at any time during the term of this Agreement that is not publicly known, even though parts thereof may be known, and (b) useful or necessary to develop, make, use, sell, offer for sale, import or export Product for use in the Field. Nektar Know-How includes without limitation the **[***]**. Nektar Know-How includes Nektar's or Aerogen's interest in unpublished Inventions and unpublished Joint Inventions. Nektar Know-How does not include Nektar Patent Rights.

1.79 "Nektar Patent Rights" means (a) the Patents listed in Exhibit 1.79, (b) any Patents that issue from the Patent Applications listed in Exhibit 1.79, (c) any Patents and/or Patent Applications that claim priority to a Patent or Patent Application listed in Exhibit 1.79, including without limitation any continuation, continued prosecution application, divisional, reissue or re-examination, (d) any other Patent and/or Patent Application Controlled by Nektar or Aerogen as of the Effective Date or at any time during the term of this Agreement that claims a product, method, apparatus, material, manufacturing process or other technology necessary to develop, make, use, sell, offer for sale, import or export Formulated Amikacin, the Device, or Product, and (e) any foreign equivalents of 1.79(a), (b), (c) or (d). Nektar Patent Rights include, without limitation, the Patents and Patent Applications **[***]**. Nektar Patent Rights includes Nektar's or Aerogen's interest in Joint Patent Rights. Nektar Patent Rights do not include Nektar Know-How.

1.80 "Nektar Trademarks" means the trademarks set forth in Exhibit 1.80 and any Trademarks of Nektar or Aerogen that are developed during the term of this Agreement for use with the Product.

1.81 "Net Sales" means the gross amount billed by Bayer, its Affiliates or Sublicensees to Third Parties throughout the Territory for sales of the Product, less (a) sales returns and allowances, including trade, quantity and cash discounts and any other adjustments, including those granted on account of price adjustments, billing errors, rejected goods, damaged goods, returns, rebates, chargeback rebates, fees, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, healthcare insurance carriers or other institutions, (b) accrued allowances for normal and customary trade, quantity and cash discounts, (c) an aggregate flat percentage of **[***]** (regardless of actual cost) for all of the following actually invoiced to the Third Party: freight, transportation, insurance, handling, packing and distribution charges, (d) the lower of **[***]** or the actual loss experience of the global Bayer-Schering Pharmaceuticals group in respect of bad debts written off, provided, however, that such amount shall not exceed **[***]** on an annual basis, (e) customs or excise taxes including import duties and other duties relating to sales, (f) any payment in respect to sales to any governmental authority in respect of any government subsidized program, including without limitation

Medicare and Medicaid rebates and (g) any item substantially similar in character and/or substance to the above, all as determined in accordance with IFRS or IAS on a basis consistent with Bayer's annual audited financial statements. In addition, Net Sales by Bayer hereunder are subject to the following:

(1) Any transfer, sale or other disposal of the Product by Bayer to an Affiliate of Bayer will not be included in Net Sales; in such case, Net Sales shall be calculated as above on the value charged or invoiced on the first arm's length sale to a Third Party;

(2) If Bayer or its Affiliates or Sublicensees make a sale or other disposition of the Product to a customer in a particular country (i) other than on normal commercial terms or (ii) as part of a package of products and services, the Net Sales of the Product shall be deemed to be "the fair market value" of such Product (i.e., the value that would have been derived had said Product been sold as a separate product to a similar customer in the country concerned on normal commercial terms); and

(3) Use of the Product in clinical or pre-clinical trials or other research or development activities or disposal of the Product for non-profit purposes of a commercially reasonable program shall not give rise to any deemed sale for purposes of this definition.

For clarity, Net Sales excludes Net Sublicense Revenues.

1.82 "Net Sublicense Revenues" means all revenues or other consideration received by a Party from Third Parties as consideration for the grant of a sublicense or license under this Agreement in the Shared Territory, other than royalties received from such Third Parties on Net Sales.

1.83 "New Drug Application" or "NDA" means (a) the single application or set of applications for the Product and/or pre-market approval to make and sell commercially the Product, filed by Bayer with the FDA, and (b) any related registrations with or notifications to the FDA.

1.84 "Non-Publishing Party" has the meaning set forth in Section 16.1.

1.85 "OIG" means the Office of the Inspector General.

1.86 "Party" or "Parties" has the meaning set forth in the Preamble.

1.87 "Patent" means (a) letters patent (or other equivalent legal instrument), including without limitation utility and design patents, and including without limitation any extension, substitution, registration, confirmation, reissue, re-examination or renewal thereof and (b) all foreign or international equivalents of any of the foregoing in any country in the Territory.

1.88 "Patent Application" means (a) an application for letters patent, including without limitation a reissue application, a re-examination application, a continuation application, a continued prosecution application, a continuation-in-part application, a divisional application or any equivalent thereof that is pending at any time during the term of this Agreement before a government Patent agency and (b) all foreign or international equivalents of any of the foregoing in any country in the Territory.

1.89 "PDDS Platform Technology" means any technology, article of manufacture, component, system, discovery, or invention that relates to the **[***]** and methods of making or using the **[***]**. For the avoidance of doubt, **[***]**.

1.90 "Phase I Clinical Trial" means any clinical study conducted on sufficient numbers of human subjects to establish that the Product is reasonably safe for continued testing and to support its continued testing in Phase II Clinical Trials. "Phase I Clinical Trial" shall include without limitation any clinical trial that would satisfy requirements of 21 C.F.R. § 312.21(a).

1.91 "Phase II Clinical Trial" means any clinical study conducted on sufficient numbers of human subjects that have the targeted disease or condition of interest to investigate the safety and efficacy of the Product for its intended use and to define warnings, precautions, and adverse reactions that may be associated with such pharmaceutical product in the dosage range to be prescribed. "Phase II Clinical Trial" shall include without limitation any clinical trial that would satisfy requirements of 21 C.F.R. § 312.21(b).

1.92 "Phase III Clinical Trial" means any clinical study intended as a pivotal study for purposes of seeking Regulatory Approval that is conducted on sufficient numbers of human subjects to establish that the Product is safe and efficacious for its intended use, to define warnings, precautions, and adverse reactions that are associated with the Product in the dosage range to be prescribed, and to support Regulatory Approval of the Product or label expansion of such pharmaceutical product. "Phase III Clinical Trial" shall include without limitation any clinical trial that would or does satisfy requirements of 21 C.F.R. § 312.21(c), whether or not it is designated a Phase III Clinical Trial.

1.93 "Phase IV Clinical Trial" means clinical study of the Product on human subjects commenced after receipt of Regulatory Approval of the Product for the purpose of satisfying a condition imposed by a Regulatory Authority to obtain Regulatory Approval, or to support the marketing of such pharmaceutical product, and not for the purpose of obtaining initial Regulatory Approval of the Product.

1.94 "PhRMA Code" means the Pharmaceutical Research and Manufacturers of America Code on Interactions with Healthcare Professionals, as hereafter amended from time to time.

1.95 "Plan" means Development Plan, Commercialization Plan, or Launch Plan, as applicable.

1.96 "Pre-Launch Activities" means all Commercialization activities undertaken with respect to the Product in the Shared Territory prior to Commercial Launch and in preparation for the launch of the Product in the Shared Territory. Pre-Launch Activities shall include without limitation advertising, education, product-related public relations, health care economic studies, governmental affairs activities for reimbursement and formulary acceptance, sales force training, and other activities included within the Launch Plan or the Commercialization Plan that are to be conducted in the Shared Territory prior to the Commercial Launch of the Product and shall exclude all Development activities and the **[***]**.

1.97 "Pre-Launch Costs" means the costs, excluding Development Costs, specifically attributable to the Pre-Launch Activities in the Shared Territory that are generally consistent with the approved Launch Plan and the Commercialization Plan.

1.98 "Product" means the combination of (a) Formulated Amikacin and (b) the Device for use in the Pulmonary Delivery of Formulated Amikacin, which Product is developed in accordance with and pursuant to this Agreement. Product shall not include any products including nebulizer devices based upon the PDDS Platform Technology for use or sale with any active ingredients other than Amikacin, or any products including devices that are not based upon the PDDS Platform Technology.

1.99 "Product Profit and Loss" means the revenues and expenses resulting from the Commercialization activities (other than Pre-Launch Costs) for Product in the Shared Territory, and shall be equal to (a) Net Sales less Allowable Expenses plus (b) Net Sublicense Revenues.

1.100 "Project" means the collaborative Development and Commercialization of the Product to be conducted by or on behalf of Nektar and Bayer under this Agreement.

1.101 "Pulmonary Delivery" means the **[***]**.

1.102 "Regional Business Unit" or "RBU" has the meaning set forth in Section 3.1.

1.103 "Regulatory Approval" means (a) in the Shared Territory, approval by the FDA of an NDA or other applicable filing and satisfaction of related applicable FDA registration and notification requirements, if any, and (b) in any country other than the Shared Territory, approval by Regulatory Authorities having jurisdiction in such country of a single application or set of applications comparable to an NDA or other applicable filing and satisfaction of related applicable regulatory and notification requirements, if any, together with any other approval necessary to make and sell the Product commercially in such country, including without limitation any pricing approvals.

1.104 "Regulatory Authority" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities, including, without limitation, the FDA and the EMEA, regulating or otherwise exercising authority with respect to the Exploitation of the Product in the Territory.

1.105 "[***]" means the **[***]**.

1.106 "Royalty Territory" means the world, excluding the Shared Territory.

1.107 "Shared Territory" means the United States, its territories and possessions.

1.108 "Sublicensee" means any person or entity, including without limitation Affiliates of a Party, to which either (a) Bayer grants a sublicense to the extent useful or necessary as set forth under this Agreement (other than Nektar or its Affiliates), or (b) Nektar grants a sublicense to the extent useful or necessary for Nektar to fulfill its obligations under this Agreement (other than Bayer or its Affiliates).

1.109 "[***]" means that **[***]**.

1.110 "Territory" means the Royalty Territory and the Shared Territory.

1.111 "Third Party" means any person or entity other than Bayer, Nektar, or an Affiliate of either of them.

1.112 "Trademark" means any word, name, symbol, color, designation or device or any combination thereof, whether registered or unregistered, including, without limitation, any trademark, trade dress, service mark, service name, brand mark, trade name, brand name, logo or business symbol.

1.113 "[***]" has the meaning set forth in Section 7.3.

1.114 "Valid Claim" means, for a country, a claim of an unexpired issued Patent or a pending Patent Application filed and kept pending in good faith, where either or both (a) such Patent or Patent Application is included in either the Patents or Patent Applications licensed to Bayer under this Agreement, or (b) such claim directed to an Invention made solely or jointly by Nektar (whether or not assigned to Bayer pursuant to Article 11) that in the absence of ownership thereof or a license thereto, would be infringed by the Exploitation of the Product and that has not been (i) cancelled with prejudice, (ii) withdrawn from consideration without the ability to submit or refile, (iii) finally determined to be unallowable by the applicable governmental authority (and from which no appeal is or can be taken), (iv) finally determined to be invalid or unenforceable by a court of competent jurisdiction, (v) disclaimed, or (vi) abandoned. For purposes hereof, a claim in a Patent Application that has not been granted before

the later to occur of (A) the date that is **[***]**, or (B) the date of **[***]**, shall not be considered to be a Valid Claim unless and until it is granted.

2. License Grants

2.1 License Grants to Bayer.

(a) Royalty Territory License. Subject to the terms and conditions of this Agreement, Nektar and Aerogen hereby grant to Bayer:

(i) an exclusive (even as to Nektar, Aerogen and their Affiliates), royalty-bearing license, with the right to grant sublicenses in accordance with Section 2.3, under the Nektar Know-How and Nektar Patent Rights, to make, have made, use, have used, promote, develop, offer to sell, sell, have sold, import, have imported, export, have exported, and market Formulated Amikacin and Product in the Field throughout the Royalty Territory solely in connection with Exploitation of the Product in the Field throughout the Royalty Territory, provided that the foregoing license is subject to Nektar's right to Manufacture as set forth in Article 9;

(ii) a non-exclusive, royalty-free license, under the Nektar Trademarks, with the right to grant sublicenses in accordance with Section 2.3, throughout the Royalty Territory, to use and display the Nektar Trademarks in connection with the Commercialization of the Product in the Field throughout the Royalty Territory, as provided under and in accordance with Section 7.7 and Article 17; and

(iii) a non-exclusive, royalty-bearing license, under the Nektar Know-How and Nektar Patent Rights, with the right to grant sublicenses in accordance with Section 2.3, in the Field throughout the Royalty Territory, to use, have used, promote, offer to sell, sell, have sold, import, have imported, export, have exported, and market the Device solely in connection with Exploitation of the Product in the Field throughout the Royalty Territory.

(b) Shared Territory License. Subject to the terms and conditions of this Agreement, Nektar and Aerogen hereby grant to Bayer:

(i) a co-exclusive (with Nektar and its Affiliates), license, subject to the payment of a share of profits as provided in this Agreement, with the right to grant sublicenses in accordance with Section 2.3, under the Nektar Know-How and Nektar Patent Rights, to make, have made, use, have used, promote, offer to sell, sell, have sold, import, have imported, export, have exported, and market Formulated Amikacin and the Product in the Field throughout the Shared Territory solely in connection with Exploitation of the Product in the Field throughout the Shared Territory, provided that the foregoing license is subject to Nektar's right to Manufacture as set forth in Article 9;

(ii) a non-exclusive, royalty-free license, under the Nektar Trademarks, with the right to grant sublicenses in accordance with Section 2.3, throughout the Shared Territory, to use and display the Nektar Trademarks in connection with the Commercialization of the Product in the Field throughout the Shared Territory, as provided under and in accordance with Section 7.7 and Article 17; and

(iii) a non-exclusive license, under the Nektar Know-How and Nektar Patent Rights, subject to the payment of a share of profits as provided in this Agreement, with the right to grant sublicenses in accordance with Section 2.3, in the Field throughout the Shared Territory, to use, have used, promote, offer to sell, sell, have sold, import, have imported, export, have exported, and market the Device solely in connection with Exploitation of the Product in the Field throughout the Shared Territory.

(c) The exclusive and co-exclusive licenses granted in Section 2.1(a)(i) and Section 2.1(b)(i), respectively, are subject to any pre-existing rights granted to a Third Party by Aerogen under the agreement attached in Exhibit 1.24.

2.2 Certain Covenants. Each Party covenants and agrees that (a) it shall not, and it shall cause its Affiliates and Sublicensees not to, use or practice the intellectual property rights licensed under this Agreement except as expressly permitted by this Agreement and (b) any use or practice of the intellectual property rights licensed under this Agreement except as expressly permitted by this Agreement that results in material harm to the other Party shall constitute a material breach of a material obligation of this Agreement.

2.3 Sublicense Rights. Bayer's right to grant sublicenses under the licenses granted to it under Section 2.1, and Nektar's right to grant sublicenses under the licenses granted to it under Section 11.2(a)(ii) shall be subject to the following: (a) each Sublicensee shall agree to be bound by all of the applicable terms and conditions of this Agreement; (b) the terms of each sublicense granted by a Party shall provide that the Sublicensee shall be subject to the terms and conditions of this Agreement; (c) a Party's grant of any sublicense shall not relieve the Party from any of its obligations under this Agreement; (d) the granting Party shall remain jointly and severally liable for any breach of a sublicense by a Sublicensee to the extent that such breach would constitute a breach of this Agreement, and any breach of the sublicense by the Sublicensee shall be deemed a breach of this Agreement by the Party to the extent that such breach would constitute a breach of this Agreement; (e) each Party will notify the other Party of the identity of any Sublicensee, and the territory in which it has granted such sublicense, promptly after entering into any sublicense; (f) Bayer will not have the right to grant sublicenses, under any rights granted to Bayer by Nektar in Sections 2.1(a)(i), to a Third Party during the term of this Agreement for the promotion or marketing of Product in **[***]** without Nektar's prior written consent, which consent shall not be unreasonably withheld or delayed; (g) Bayer will not have the right to grant sublicenses under any rights granted to Bayer by Nektar in Section 2.1(b) to a Third Party during the term of this Agreement for the promotion or marketing of the Product in the Shared Territory without Nektar's prior written consent, which consent shall not be

unreasonably withheld or delayed; provided, however, that Bayer may grant sublicenses under any rights granted to Bayer by Nektar in Section 2.1(b) without Nektar's prior written consent in the event that Nektar opts out pursuant to Section 8.2(b)(ii), this Agreement is terminated by Bayer pursuant to Section 18.4 for breach of this Agreement by Nektar, or Bayer elects a Royalty Conversion in accordance with Section 20.2(b); and (h) Nektar will not have the right to grant sublicenses, under any rights granted to Nektar by Bayer in Section 11.2(a)(ii), to a Third Party during the term of this Agreement for the promotion or marketing of Product in the Field in the Territory without Bayer's prior written consent, which consent shall not be unreasonably withheld or delayed.

2.4 No Implied Rights or Licenses. Neither Party grants to the other Party any rights or licenses in or to any Patent or other intellectual property right, whether by implication, estoppel or otherwise, except to the extent expressly provided for under this Agreement.

2.5 Exclusivity. Notwithstanding any other provision of this Agreement, during the term of this Agreement, neither Party shall develop (including without limitation conducting or sponsoring Clinical Trials), market, sell, manufacture, or commercialize, directly or indirectly, any product containing any **[***]** amelioration, treatment or prevention of **[***]**, other than the Product under this Agreement. For clarity, the foregoing shall not limit either Party's ability to develop, market, sell, manufacture or commercialize, directly or indirectly, any product containing an **[***]** amelioration, treatment or prevention of **[***]**.

2.6 Covenant Not to Sue. During the term of this Agreement, Bayer agrees that neither it nor its Sublicensees will, and Bayer shall cause its Affiliates not to, assert against Nektar, its subsidiaries, Affiliates or Sublicensees, any claim, or institute any action or proceeding, whether at law or equity, under any intellectual property rights, including without limitation Patents or Patent Applications, based on Nektar's, its Affiliates' or Sublicensees' development, manufacture, use, practice, importation or sale of the Device, Formulated Amikacin or the Product in the Field and in the Territory pursuant to this Agreement. This covenant shall be binding upon, and inure to the benefit of, the Parties, their successors, and assigns.

2.7 Reserved Rights. This Agreement is subject to the rights reserved by **[***]** or by the U.S. government under Title 35 of the United States Code Sections 200 through 204.

3. Governance

3.1 General. Promptly after the Effective Date, the Parties shall establish a joint steering committee (the **"Joint Steering Committee" or "JSC"**) in accordance with Section 3.2(a) to oversee the Parties' performance under this Agreement, and a joint finance committee (the **"Joint Finance Committee" or "JFC"**) in accordance with Section 3.3(a) to

oversee financial and budgetary aspects of the Parties' activities under this Agreement. Additionally, Nektar shall have the right to appoint **[***]** to Bayer's internal Global Project Team for the Product (the **"Global Project Team" or "GPT"**) in accordance with Section 3.4(a), which will oversee the clinical Development of the Product pursuant to this Agreement, **[***]** to Bayer's internal Global Brand Team for the Product (the **"Global Brand Team" or "GBT"**) in accordance with Section 3.5(a), which will oversee the Commercialization of the Product pursuant to this Agreement, and **[***]** to Bayer's internal U.S. Regional Business Unit for the Product (the **"Regional Business Unit" or "RBU"**) in accordance with Section 3.6(a), which will implement strategies for Commercial Launch of the Product in the Shared Territory, and oversee such launch activities, subject to oversight of the GBT. Each of these committees and teams shall have the responsibilities and authority allocated to it in this Article 3 and elsewhere in this Agreement. Each of these committees and teams shall make decisions consistent with the goal of implementing the Plans and conducting other activities under this Agreement in a manner consistent with the optimization of Product Development and Commercialization. The representatives of each Party on any committee shall be responsible for ensuring that their decisions and actions are consistent with the views of, and have been approved by, the Party that appointed them. The following procedures shall apply to each of the committees established under this Agreement and to the GPT, RBU and GBT, as applicable.

3.2 Joint Steering Committee.

(a) Composition. Each Party shall appoint **[***]** to serve on the JSC. Bayer's initial JSC representatives shall be **[***]**. Nektar's initial JSC representatives shall be **[***]**. The initial JSC chairperson shall be **[***]**, who shall serve in such capacity for a period of twelve (12) months. Thereafter, the member of the JSC who shall serve as the JSC chairperson shall be designated alternately by each Party, with each chairperson serving for a period of twelve (12) months. Each Party may replace its JSC representatives by written notice to the other Party.

(b) Responsibilities. The JSC shall oversee and monitor the direction and course of the activities to be conducted hereunder. Without limiting the generality of the foregoing, the JSC shall: (i) review, provide comment on, and approve Plans and related budgets; (ii) review the activities and obligations of the Parties and the JFC under this Agreement; (iii) resolve any disputes or disagreements submitted to it by the JFC, the GPT, or the GBT, and, if applicable, submit disputes or disagreements that it does not resolve within the time provided in Section 3.2(c) to designated Executives of the Parties, as further described in Section 3.2(d); (iv) review all material data arising in the course of activities conducted pursuant to this Agreement by either Party; (i) appoint subcommittees as it deems appropriate for carrying out the Project; and (vi) perform such other functions as appropriate to further the purposes of this Agreement as determined by the Parties, including without limitation the periodic evaluation of performance against goals.

(c) Meetings and Voting. The JSC shall meet at least once a calendar quarter at times mutually agreed upon by the Parties. At least two (2) such meetings per calendar year must be held in person, and all other such meetings may be held by teleconference or videoconference. The location of the meetings of the JSC to be held in person shall alternate between sites designated by each Party, with the first such meeting to be held in San Carlos, California, U.S.A., and the second such meeting to be held in Berlin, Germany. Each Party shall bear all the expenses of its representatives on the JSC, and such expenses shall not be included in Allowable Expenses. The JSC chairperson shall issue an agenda reasonably in advance of each meeting and shall appoint one (1) member to keep accurate minutes of each meeting, which appointment shall be effective upon approval of the other Party, such approval not to be unreasonably withheld or delayed. Each of Bayer and Nektar shall have one (1) collective vote on the JSC regardless of how many representatives such Party has on the JSC, and any matter voted on shall require the unanimous vote of both Parties. If a disagreement among members of the JSC remains unresolved for more than thirty (30) days after the JSC first addresses such matter (or such longer period as the Parties may mutually agree upon), such disagreement shall be resolved in accordance with Section 3.2(d). The JSC shall have no power to amend or waive compliance with this Agreement.

(d) Dispute Resolution. If the JSC is unable to resolve any dispute, controversy, or claim arising under this Agreement within thirty (30) days after it first addresses such matter (or such longer period as the Parties may mutually agree upon), then the dispute shall be referred to senior executive officers of each Party having authority to make decisions in such matters (**"Executives"**) of each Party. In the event the Executives of each Party are unable to resolve the dispute within thirty (30) days after receiving notice of the dispute (or such longer period as the Parties may mutually agree upon), then the following shall apply: Matters submitted to the JSC and the Executives pursuant to this Section 3.2(d) that remain unresolved by the JSC or the Executives (i) that relate to matters set forth in Exhibit 3.2 in the column titled "Bayer Lead" shall be finally decided by Bayer, (ii) that relate to matters set forth in Exhibit 3.2 in the column titled "Nektar Lead" shall be finally decided by Nektar, (iii) that relate to matters set forth in Exhibit 3.2 in the column titled "Co-Lead" shall continue to be discussed by the Executives until such Executives agree upon a resolution of such matter, and (iv) that relate to matters not set forth in Exhibit 3.2 shall be submitted upon the initiative of either Party after expiration of the thirty (30) day Executive discussion period for resolution by a court of competent jurisdiction as set forth in Section 20.10. For clarity, matters relating to a Party's alleged breach of its obligations under this Agreement shall not be finally decided by either Party but may be submitted for resolution by either Party after such matter has been discussed by the Executives for the foregoing thirty (30) day period to a court of competent jurisdiction as set forth in Section 20.10.

3.3 Joint Finance Committee.

(a) Composition. Each Party shall appoint **[***]** to serve on the JFC prior to the first meeting of the JFC. The initial JFC chairperson shall be appointed by Bayer and shall serve in such capacity for a period of twelve (12) months. Thereafter, the member of the JFC who shall serve as the JFC chairperson shall be designated alternately by each Party, with each chairperson serving for a period of twelve (12) months. Each Party may replace its JFC representatives by written notice to the other Party.

(b) Responsibilities. The JFC shall oversee the preparation and implementation of all Development Budgets, Launch Budgets, and Commercialization Budgets, establish a policy (no more than ninety (90) days after the Effective Date) for the appropriate level of detail to be reported in calculating Allowable Expenses and Product Profit and Loss, designate policies for the Parties' reporting and recording of Allowable Expenses and calculation of Product Profit and Loss and other financial terms set forth in this Agreement, approve all variances from the applicable budgets, establish the Commercialization FTE Rate at least six (6) months prior to commencement of Commercialization activities in the Shared Territory (including without limitation Pre-Launch Activities), as well as determine appropriate annual adjustments to the Commercialization FTE Rate to reflect relevant price indices, and, as directed by the JSC, perform other activities as appropriate to effect the intent of this Agreement.

(c) Meetings and Voting. The JFC shall meet at least once per month, unless otherwise specified by the JSC, at times mutually agreed upon by the Parties. At least four (4) such meetings per calendar year must be held in person, and all other such meetings may be held by teleconference or videoconference. Each Party shall bear all the expenses of its representatives on the JFC. Such expenses shall not be included in Allowable Expenses. The location of the JFC meetings shall alternate between sites designated by each Party, with the first such meeting of the JFC to be held in person to be in Berlin, Germany, and the second such meeting to be held in San Carlos, California, U.S.A. The JFC chairperson shall issue an agenda reasonably in advance of each meeting and shall appoint one (1) member to keep accurate minutes of each meeting, which appointment shall be effective upon approval of the other Party, such approval not to be unreasonably withheld or delayed. Each of Bayer and Nektar shall have one (1) collective vote on the JFC regardless of how many representatives such Party has on the JFC, and any matter voted on shall require the unanimous vote of both Parties. If a disagreement among members of the JFC remains unresolved for more than thirty (30) days after the JFC first addresses such matter (or such longer period as the Parties may mutually agree upon), such disagreement shall be submitted to the JSC for resolution. The JFC shall have no power to amend or waive compliance with this Agreement.

(d) All committees and teams identified in this Agreement shall prepare the budgets and plans for which they are responsible as provided for herein within ninety (90) days after the Effective Date.

3.4 Global Project Team.

(a) Composition. Nektar shall appoint **[***]** to serve on the GPT prior to the first meeting of the GPT. Bayer may appoint to the GPT **[***]**. The GPT chairperson shall be appointed by Bayer. Each Party may replace GPT representatives by written notice to the other Party.

(b) Responsibilities. Within ninety (90) days after the Effective Date, the GPT may propose updates to the Development Plan and Development Budget for approval by the GBT and then by the JSC, coordinate the supply of the Product for use in non-clinical and clinical trials of the Product, oversee the Parties' implementation of the Development Plan and Development Budget as directed by the JSC, and perform other activities as appropriate to effect the intent of this Agreement.

(c) Meetings. The GPT shall meet at least once per calendar quarter. At least two (2) such meetings per calendar year must be held in person, and all other such meetings may be held by teleconference or videoconference. Each Party shall bear all the expenses of its representatives on the GPT. Such expenses shall not be included in Allowable Expenses. The location of the meetings of the GPT to be held in person shall be determined by Bayer. The GPT chairperson shall issue an agenda reasonably in advance of each meeting and shall appoint one (1) member to keep accurate minutes of each meeting, which appointment shall be effective upon approval of the other Party, such approval not to be unreasonably withheld or delayed. The GPT shall have no power to amend or waive compliance with this Agreement.

3.5 Global Brand Team.

(a) Composition. Prior to the first meeting of the GBT, Nektar shall appoint **[***]** to serve both on the GSM and **[***]** on the GBT. Bayer may appoint to the GBT **[***]**, at least one of whom shall be a representative from the GSM. The GBT chairperson shall be such GSM representative. Each Party may replace GBT representatives by written notice to the other Party.

(b) Responsibilities. The GBT shall be responsible for preparation of launch, Commercialization and life cycle management strategies in the form of Launch Plans, Launch Budgets, Commercialization Plans and Commercialization Budgets for approval by the JSC, and shall oversee the Commercial supply of Formulated Amikacin, the Device and the Product, prepare materials for supporting Commercialization of the Product, plan training activities for **[***]** and sales representatives, determine if any Global Phase IV Trials are to be conducted, and perform other activities as appropriate to effect the intent of this Agreement. At least one (1) of each Party's representatives shall also present to and gain approval from the representative's own Party for the Launch Plans, Launch Budgets, Commercialization Plans and Commercialization Budgets, and any subsequent revisions thereto, before the GBT proposes such Launch Plans, Launch Budgets, Commercialization Plans, and Commercialization Budgets to the JSC.

(c) Meetings. The GBT shall meet at least once per calendar quarter. At least two (2) such meetings per calendar year must be held in person, and all other such meetings may be held by teleconference or videoconference. Each Party shall bear all the expenses of its representatives on the GBT. Such expenses shall not be included in Allowable Expenses, except that expenses of GBT members who are also members of the GSM shall be included in Allowable Expenses. The location of the meetings of the GBT to be held in person shall be determined by Bayer. The GBT chairperson shall issue an agenda reasonably in advance of each meeting and shall appoint one (1) member to keep accurate minutes of each meeting, which appointment shall be effective upon approval of the other Party, such approval not to be unreasonably withheld or delayed. The GBT shall have no power to amend or waive compliance with this Agreement.

3.6 U.S. Regional Business Unit.

(a) Composition. Nektar shall appoint **[***]** to serve on the RBU for the Shared Territory prior to the first meeting of the RBU for the Product. Bayer may appoint to the RBU for the Product **[***]**. The RBU chairperson shall be appointed by Bayer. Each Party may replace RBU representatives by written notice to the other Party.

(b) Responsibilities. The RBU shall oversee the implementation of the Launch Plan and the Commercialization Plan approved by the JSC for Commercial Launch in the Shared Territory and oversee the conduct of Local Phase IV Trials in the Shared Territory, subject to the oversight of the GBT.

(c) Meetings. The RBU shall meet at least once per calendar quarter. At least two (2) such meetings per calendar year must be held in person, and all other such meetings may be held by teleconference or videoconference. The location of the meetings of the RBU to be held in person shall be determined by Bayer. The expenses of RBU members shall be included in Allowable Expenses. The RBU chairperson shall issue an agenda reasonably in advance of each meeting and shall appoint one (1) member to keep accurate minutes of each meeting, which appointment shall be effective upon approval of the other Party, such approval not to be unreasonably withheld or delayed. The RBU shall have no power to amend or waive compliance with this Agreement.

3.7 Nektar Participation in Committees and Teams. Nektar's membership in each of the JSC and JFC, and participation in each of Bayer's internal GPT, GBT and RBU, shall be at its sole discretion, as a matter of right and not obligation, for the sole purpose of participation in governance, decision making and information exchange with respect to activities within the jurisdiction of such committee, team, or unit. At any time prior to the disbanding of, or withdrawing Nektar's membership or participation in, such committee or internal team or unit pursuant to Section 3.8, Nektar shall have the right to withdraw from membership or participation in any or all of the committees, teams, or units upon thirty (30) days' prior written notice to Bayer, which notice shall be effective as to the relevant committee, team, or unit

specified in such notice upon the expiration of such thirty (30) day period (**"Withdrawal Notice"**). Following the issuance of a Withdrawal Notice for a given committee, team, or unit, (a) the applicable committee, team, or unit shall be disbanded or, if it is an internal Bayer team or unit, Nektar's participation therein shall be withdrawn and Bayer may elect to continue such internal team or unit in its discretion, subject to this Section 3.7, (b) the decisions formerly made by the team or unit from which Nektar has elected to withdraw shall be made as set forth in Section 3.9, and (c) Nektar shall have the right to continue to receive the information it would otherwise be entitled to receive under the Agreement.

3.8 Disbanding of Committees and Withdrawal from Teams or Units. The Parties shall have the right to disband either or both of the JSC or JFC, and/or withdraw Nektar's participation in each of Bayer's internal GPT, GBT and RBU, upon mutual agreement. Additionally, to the extent the applicable committee is not disbanded or Nektar's participation in the applicable team or unit is not withdrawn pursuant to Section 3.7, such committees, teams, or units shall be automatically disbanded or Nektar's participation therein shall be withdrawn, as applicable, as set forth below:

(a) The JSC shall be automatically disbanded upon the later of (i) expiration or termination of the obligation to pay royalties in the Royalty Territory, or (ii) discontinuation of Commercialization activities in the Shared Territory.

(b) The JFC shall be automatically disbanded upon the later of (i) expiration or termination of the obligation to pay royalties in the Royalty Territory, or (ii) discontinuation of Commercialization activities in the Shared Territory.

(c) Nektar's participation in the GPT shall be automatically withdrawn **[***]** years after the last to occur Regulatory Approval of the Product in the United States, Japan or Europe.

(d) Nektar's participation in the GBT shall be automatically withdrawn upon the later of (i) expiration or termination of the obligation to pay royalties in the Royalty Territory, or (ii) discontinuation of Commercialization activities in the Shared Territory.

(e) Nektar's participation in the RBU shall be automatically withdrawn upon the later of (i) expiration or termination of the obligation to pay royalties in the Royalty Territory, or (ii) discontinuation of Commercialization activities in the Shared Territory.

3.9 Decision Making After Withdrawal from or Disbanding of Committees. If Nektar elects to withdraw from the JSC and/or the JFC under Section 3.7, or if either such committee is disbanded pursuant to Section 3.8, then after such withdrawal or disbanding, the following shall apply to decisions formerly within the jurisdiction of the committee(s) from which Nektar has withdrawn or that has been disbanded:

(a) Decisions formerly within the jurisdiction of the JSC shall be submitted for resolution by senior officers of each Party, subject to the decision making processes and principles set forth in Sections 3.2(c) and 3.2(d) as if Sections 3.2(c) and 3.2(d) applied to decisions to be made by such senior officers rather than to decisions to be made by the JSC.

(b) Decisions formerly within the jurisdiction of the JFC shall be submitted for resolution by the JSC, if it then exists, or otherwise by senior officers appointed by each Party as described in Section 3.9(a).

4. Development Program

4.1 Project. Bayer and Nektar shall collaborate to Develop the Product. Nektar shall use Commercially Reasonable Efforts, and shall have primary control and direction in the Project for developing and Manufacturing Formulated Amikacin through the completion of Phase III Clinical Trials, developing and Manufacturing the Device, the conduct of the **[***]**, and the completion of Phase II Clinical Trials that are ongoing as of the Effective Date. Bayer shall use Commercially Reasonable Efforts, and shall have primary control and direction in the Project, for the clinical Development of the Product except for such **[***]** and Phase II Clinical Trials, the preparation and submission of regulatory filings for the Product, on a worldwide basis, and further CMC development of Formulated Amikacin and the final packaging of the Product, obtaining and maintaining all Regulatory Approvals for the Product in the Shared Territory and in the Royalty Territory, and generally for the Commercialization of the Product.

4.2 Development Plan and Development Budget.

(a) The Development of the Product shall be governed by a global Development plan (**"Development Plan"**), and the costs and expenses relating to the Development of the Product shall be governed by a Development budget (**"Development Budget"**), the initial forms of which are attached as Exhibits 4.2(a)(i) and 4.2(a)(ii), respectively. Updates thereto made pursuant to Section 4.2(b) shall be prepared by the GPT, for approval by the JSC. Each Development Plan shall include without limitation details of all Clinical Trials to be conducted by the Parties to support Regulatory Approval in the Territory, and related time lines, as well as other material activities necessary for Development of the Product in the Territory, and shall describe the proposed overall program of Development for the Product in each applicable country, including without limitation all preclinical studies, toxicology, pharmacology studies, formulation, process development, clinical studies, and regulatory plans and other elements of obtaining Regulatory Approval in each applicable country. The Development Plan and the Development Budget shall be updated at least once (1) per year and shall cover the following three (3) year period. The Parties have prepared a portion of the initial Development Plan specifically relating to the Device and a portion of the initial Development Budget relating to the Device (**"Device Budget"**) as well as a portion of the initial Development Plan specifically relating to Formulated Amikacin and a portion of the initial Development

Budget relating to Formulated Amikacin (**"Drug Budget"**), respectively, as of the Effective Date, which initial budgets are attached as Exhibits 4.2(a)(iii) and 4.2(a)(iv), respectively.

(b) The GPT shall, on an annual basis, propose updates to the Development Plans and Development Budgets (including, for clarity, the Device Budget and the Drug Budget) for the following calendar year. The GPT shall submit such updated Development Plans and Development Budgets to the JSC (with such Development Budgets first being submitted to the JFC for review and endorsement), for review and approval by September 30 of each calendar year for the following calendar year. The JSC shall provide comments on each such updated Development Plan or Development Budget, as applicable, within fifteen (15) days following their submission. Within thirty (30) days following such original submission, the JSC shall either approve the Development Plan and Development Budget or approve a modified Development Plan and Development Budget prepared by the GPT and endorsed by the JFC, consistent with the objectives for the Product and the aims of the Project.

(c) If the actual costs incurred by Bayer under the Drug Budget in meeting Bayer's obligations as set forth on Exhibit 4.2(a)(iv) exceed the approved amount set forth in the Drug Budget, Bayer may spend such additional amounts without reimbursement from Nektar; provided that, if aggregate actual costs incurred by Bayer exceed **[***]** of the aggregate approved amount set forth in the Drug Budget, the Parties agree to discuss whether the economic terms between the Parties should be restructured to reflect the investment of the additional funds. If the actual costs incurred by Nektar under the Device Budget in meeting Nektar's obligations as set forth on Exhibit 4.2(a)(iii) exceed the approved amount set forth in the Device Budget, Nektar may spend such additional amounts without reimbursement from Bayer; provided that, if aggregate actual costs incurred by Nektar exceed **[***]** of the aggregate approved amount set forth in the Device Budget, the Parties agree to discuss whether the economic terms between the Parties should be restructured to reflect the investment of the additional funds.

4.3 Standard of Performance. Each Party, in performing its activities in connection with the Project, shall comply with all Applicable Laws, including without limitation where applicable, then-current GCP, GLP, and GMP.

4.4 Subcontracting Permitted.

(a) Bayer acknowledges and agrees that portions of the work to be performed by Nektar under the Project (including, without limitation, manufacture of the Device) may be performed on behalf of Nektar by Third Parties, provided that (i) Nektar shall first have obtained written confidentiality agreements with any such subcontractors and written assignments of, or equivalent rights under, all Patent rights and know-how that such subcontractors may develop by reason of work performed under this Agreement, (ii) Nektar may not subcontract obligations to co-promote in the Shared Territory without Bayer's prior written consent (which consent may not be unreasonably withheld or delayed), unless the GBT has

previously approved such subcontracting, and (iii) Nektar shall be and remain responsible to Bayer for the performance of its subcontractors.

(b) Nektar acknowledges and agrees that portions of the work to be performed by Bayer under the Project (including, without limitation, manufacture of Formulated Amikacin for commercial use) may be performed on behalf of Bayer by Third Parties, provided that (i) Bayer shall first have obtained written confidentiality agreements with any such subcontractors and written assignments of, or equivalent rights under, all Patent rights and know-how that such subcontractors may develop by reason of work performed under this Agreement, (ii) Bayer may not subcontract obligations to co-promote in the Shared Territory, without Nektar's prior written consent (which consent may not be unreasonably withheld or delayed), and (iii) Bayer shall be and remain responsible to Nektar for the performance of its subcontractors.

5. Regulatory Matters

5.1 Pharmacovigilance Agreement. The Parties shall, within sixty (60) days after written request by the JSC, convene a meeting to negotiate in good faith the terms and conditions of a pharmacovigilance agreement (**"Pharmacovigilance Agreement"**), which shall establish all material economic, regulatory, business and technical terms under which the Parties shall collect, monitor, research, assess and evaluate information from healthcare providers and patients on the adverse effects, if any, of Formulated Amikacin, the Device and the Product, with a view to identifying new information about hazards associated with Formulated Amikacin, the Device and the Product and preventing harm to patients. Within ninety (90) days after the commencement of those negotiations, the Parties shall exercise Commercially Reasonable Efforts to execute a mutually satisfactory Pharmacovigilance Agreement.

5.2 Preparation of Regulatory Filings. Each Party, at such Party's sole cost and expense unless otherwise provided for herein, shall be responsible for preparing, filing, and maintaining, and shall own, the regulatory filings relating to the Product as set forth below:

(a) At its expense, Nektar shall use Commercially Reasonable Efforts to prepare and maintain DMFs covering the Device, and Nektar shall own any such DMFs. Nektar shall also use Commercially Reasonable Efforts to prepare and maintain DMFs covering Formulated Amikacin and the Product; provided, however, that the Party conducting Manufacturing for Commercialization of the Formulated Amikacin and Product shall own and maintain any such DMFs, it being understood and agreed that during the term hereof, such Manufacture of Formulated Amikacin and Product may be conducted by Bayer. During the term of this Agreement, Nektar grants to Bayer and its Sublicensees a right of reference to the DMFs for the Device owned by Nektar to the extent necessary for, and for the purposes of, preparing, filing or maintaining INDs, NDAs, MAAs and other regulatory filings relating to the Product in the Shared Territory or the Royalty Territory, including without limitation CMC Data. Nektar shall share with Bayer relevant CMC Data (redacted, if deemed necessary in Nektar's reasonable

opinion) portions of such DMFs, with the right to inspect, upon Bayer's request. The Party that owns a DMF shall be responsible for all interactions with Regulatory Authorities relating to such DMF. The foregoing notwithstanding, all Information required by Bayer for regulatory filings will be provided to Bayer by Nektar for all countries where such filings are required.

(b) At its expense, Bayer, its Affiliates and its Sublicensees shall use Commercially Reasonable Efforts to prepare, obtain and maintain all regulatory dossiers and Regulatory Approvals covering the Product in the Territory, and shall provide Nektar, **[***]**, with a copy of all documents included in such regulatory dossiers and Regulatory Approvals. Except as provided in Section 5.2(a), Bayer or its designee shall be the owner of all such filings and shall be responsible for all interactions with Regulatory Authorities relating thereto; provided, however, that at all times during the term hereof, Nektar shall have the opportunity to participate in all meetings and other communications with Regulatory Authorities relating to the Product, **[***]**. In addition to Bayer's other obligations under this Section 5.2(b), Bayer shall keep Nektar informed, on a regular basis (but no less frequently than quarterly) of regulatory filings related to the Product.

(c) During the term of this Agreement, Bayer grants to Nektar a right of reference (including, without limitation, the right to inspect) to the CMC Data pertaining to the Product or for Nektar's use in applications within the Field that do not conflict with Nektar's covenants set forth in Section 2.5.

5.3 Notice of Communication with Regulatory Authorities. Bayer shall be responsible for reporting all adverse events and handling all complaints and communications (including without limitation with Regulatory Authorities) relating to the Product, except in those countries where the CE Mark owner for the Device is required to communicate Device pharmacovigilance directly to Regulatory Authorities (in which case Nektar shall report all adverse events and handle all complaints and communications, including without limitation with Regulatory Authorities, relating to the Device). Except as otherwise provided for in this Section 5.3, each Party shall provide quarterly summaries to the other Party of any oral or written communications to or from Regulatory Authorities on matters related to the Product or which may reasonably be deemed to impact Product Development, manufacture, Commercialization or Regulatory Approval. Notwithstanding the foregoing, if Nektar Manufactures Device or Formulated Amikacin at any time during the term of this Agreement, then Bayer shall notify Nektar of any oral communications, and provide Nektar with copies of any written communications, to or from Regulatory Authorities on matters related to the Device or Formulated Amikacin, as applicable, or which may reasonably be deemed to impact Device or Formulated Amikacin, as applicable, within three (3) business days of receipt of such communication, or such earlier date as required by Applicable Law or Regulatory Authority. Moreover, in each such case, Bayer shall give Nektar reasonable opportunity to review and comment on any proposed response to any such oral or written communications to or from Regulatory Authorities prior to submitting any response thereto, and provide Nektar with a copy of the final response as specified herein.

5.4 Regulatory Compliance.

(a) Each of Nektar and Bayer shall reasonably cooperate with the other Party in its efforts toward ensuring that all government price and gift reporting, sales, marketing and promotional practices with respect to the Product meet the standards required by Applicable Laws, including without limitation state and federal laws and regulations, as well as applicable guidelines concerning the advertising of prescription drug products, the OIG Compliance Guidance Program, the American Medical Association (the **"AMA"**) Guidelines on Gifts to Physicians, the PhRMA Code, and the ACCME Standards.

(b) Each of Nektar and Bayer shall provide its employees and its contract sales force, if any, involved in sales, marketing, promotion, or price or gift reporting for the Product appropriate training on proper marketing and sales techniques. Such training will include, among other topics, FDA requirements and other state and federal regulations and guidelines concerning the advertising of prescription drug products, the OIG Compliance Guidance Program, the AMA Guidelines on Gifts to Physicians, the PhRMA Code, and the ACCME Standards. If requested by the other Party, each of Nektar and Bayer shall provide a written description of the training to the other Party no less frequently than on an annual basis.

(c) Nektar shall provide to Bayer upon request copies of all Nektar documents that are related to the pricing issues addressed in the CIA and other price reporting obligations of Bayer under Applicable Laws. This will include, but is not necessarily limited to, a list of all research and continuing medical education grants, the date of the grant, the amount of the grant, and, if requested by Bayer, the rationale for the grant.

(d) Each of Nektar and Bayer shall reasonably cooperate with the other Party to provide the other Party access to any and all information, data and reports required by the other Party in order to comply with the relevant provisions of the Medicare Modernization Act and any other Applicable Laws, including without limitation reporting requirements, in a timely and appropriate manner. Bayer shall ensure that its reporting to the Centers for Medicare and Medicaid Services and other federal and state healthcare programs related to the Product is true, complete and correct in all respects; provided, however, that Bayer shall not be held responsible for submitting erroneous reports if such deficiencies result from information provided by Nektar which itself was not true, complete and correct.

(e) Nektar shall endeavor to prepare and provide to Bayer any data or other information covered by this Section 5.4 in accordance with methodologies specified by Bayer, and shall advise Bayer if there is any respect in which it has been unable to do so. If Nektar has a question about whether a specific transaction or other event needs to be reported to Bayer pursuant to this Section 5.4, Nektar's obligation shall be satisfied by delivery of a true, complete and correct report of such transaction or other event, without a determination as to the proper reporting or legal characterization of such matter.

(f) Bayer shall notify Nektar in advance of submission of any material information provided by Nektar pursuant to this Section 5.4 that Bayer proposes to submit to any governmental entity. Bayer further agrees to seek confidential treatment of any such information relating to Nektar that it submits to any governmental entity to the extent permitted under the CIA and any Applicable Laws.

(g) Nektar and Bayer shall confer with each other on a regular basis to discuss and compare their respective procedures and methodologies relating to each Party's compliance with any Applicable Laws or fulfillment of any other obligation contained in this Section 5.4. In the event that the Parties have different understandings or interpretations of this Section 5.4 or of the applicability of or standards required by any Applicable Law, then the Parties shall confer and seek to reach common agreement on such matters.

5.5 Regulatory Documentation. Bayer shall own and retain all right, title and interest in and to all Regulatory Approvals and all regulatory documentation with respect to the Product, excluding the DMF for the Device and CE Mark therefor (and equivalents of the foregoing).

5.6 Transfer of IND. Within ninety (90) days after the Effective Date, Nektar shall transfer the existing IND for the Product to Bayer; provided, however, that any DMFs for the Device shall remain with Nektar as provided for in Section 5.2(a).

5.7 Product Recall. The Manufacturing and Supply Agreement shall contain standard provisions acceptable to both Parties regarding (a) a Regulatory Authority's issuance or request of a recall or similar action in connection with the Product and (b) either Party's determination that an event, incident or circumstance has occurred which may result in the need for a recall or market withdrawal.

5.8 Conformité Europeen Mark. Subject to Applicable Law, Nektar shall apply for, maintain and be responsible for all obligations associated with the Conformité Europeen Mark for the use of the Device with the Product.

5.9 Cooperation. Nektar shall reasonably cooperate with Bayer in providing data and other information generated in connection with Clinical Trials conducted by or on behalf of Nektar for the Product prior to or after the Effective Date.

6. Diligence

6.1 Bayer shall use Commercially Reasonable Efforts to Develop and Commercialize the Product in the Territory in accordance with the terms of this Agreement. Nektar shall use Commercially Reasonable Efforts to perform its obligations set forth in the Development Plan and Commercialization Plan or as otherwise set forth in this Agreement.

7. COMMERCIALIZATION

7.1 Commercialization Plan and Commercialization Budget in the Shared Territory.

(a) The GBT shall submit the first draft Commercialization Plan and first draft Commercialization Budget to the JSC for review and approval by a date to be established by the JSC. It is understood that such drafts may contain open issues and identify areas wherein more information is needed to complete the drafts and to prepare a more complete Commercialization Plan and Commercialization Budget. Within a time frame necessary to meet the Parties' respective internal budget submission deadlines, the GBT, after taking into consideration the comments of the JSC, will prepare a more complete Commercialization Plan and Commercialization Budget for submission to the JSC for its review and approval.

(b) By or before September 30, 2007, the GBT shall develop, and the JSC shall review and approve, in accordance with Section 3.2(b) a three (3) year commercialization plan (the **"Commercialization Plan"**) for the Product for the Shared Territory, which shall include but not be limited to (i) details regarding demographics, market dynamics, and market strategies in the Shared Territory for the Product and patient population, estimated launch dates in the Shared Territory, and sales and expense forecasts in the Shared Territory, and (ii) a marketing plan (including without limitation pricing strategies pertaining to discounts and samples) for the Shared Territory, health economics studies to be performed or other payor related and studies required to determine or evaluate the impact of health economic studies, and other payor related studies on potential prices for the Product. By or before September 30, 2007, the GBT shall develop and submit to the JFC for review and endorsement, and the JSC shall review and approve, in accordance with Section 3.2(b), a three (3) year commercialization budget (**"Commercialization Budget"**) for Commercialization of the Product, including without limitation the Third Parties to be utilized in such activities and the arrangements with them that have been or are proposed to be agreed upon. Each Commercialization Budget for the Shared Territory shall include without limitation a budget of the expenses expected to be incurred in connection with performing the Commercialization Plan, including without limitation Pre-Launch Costs and Allowable Expenses in the Shared Territory. The Commercialization Plan and the Commercialization Budget shall be updated at least once (1) per year and shall cover the following three (3) year period.

(c) Any significant proposed change in any Commercialization Plan during the course of the year will be communicated promptly to the JSC for its approval, and any significant proposed change in any Commercialization Budget during the course of the year will be communicated promptly to the JFC for its endorsement. In addition, the GBT shall provide an update on each Commercialization Plan and Commercialization Budget to the JSC and JFC, respectively, in a manner consistent (with respect to timing and content) with such updates as are reported internally by Bayer on its existing products at such time.

(d) Budgetary Disputes. For Commercialization activities in the Shared Territory for which a Party is designated "Lead" in Exhibit 3.2, such Party may determine that costs for such activities under the Commercialization Plan may be incurred that exceed the amount specified in the Commercialization Budget for such activities (excluding the **[***]**) by up to **[***]**. In such case, such excess costs will be included in Allowable Expenses. For Commercialization activities in the Shared Territory for which a Party is designated "Lead" in Exhibit 3.2, if such Party desires to propose that costs for such activities under the Commercialization Plan should be incurred that exceed the amount specified in the Commercialization Budget for such activities (excluding the **[***]**) by more than **[***]**, such excess costs will not be included in Allowable Expenses, but the Parties shall discuss the basis for such proposal and whether the economic terms between the Parties should be restructured to reflect the potential investment of such additional funds.

7.2 Launch Plan and Launch Budget for the Shared Territory.

(a) Each Commercialization Plan and Commercialization Budget shall be updated by the GBT, in advance of the Commercial Launch of the Product in the Shared Territory, to include without limitation a launch plan (the **"Launch Plan"**) and launch budget (the **"Launch Budget"**) for launch and the three (3) year period following the Commercial Launch date. Each such Launch Plan and Launch Budget shall be developed by the GBT, submitted to the JFC for review and endorsement, and presented to the JSC for review and approval.

(b) The GPT shall estimate for each country a realistic date for Regulatory Approval of the Product by the relevant Regulatory Authority, and the GBT will use this estimated date to submit its Launch Plan at least six (6) months prior to the estimated Regulatory Approval date to the JSC. By September 30 of each calendar year thereafter, if not yet executed, each Launch Plan and Launch Budget for the Product shall be updated by the GBT, submitted to the JFC for review and endorsement, and presented to the JSC for review and approval.

(c) Each Launch Plan shall include without limitation (i) updated market and sales forecasts in units and estimated revenues of the Product for the three (3) year period following Commercial Launch of the Product in the Shared Territory, (ii) estimated resource requirements for the Product in the Shared Territory, and (iii) such other matters deemed appropriate by the GBT.

(d) Each Launch Budget shall include without limitation a breakdown of individual Allowable Expense items expected to be incurred in connection with performing the applicable Launch Plan, detailed sufficiently to meet the requirements of the Parties' respective management and auditors for reporting and controlling, and shall include without limitation all related Pre-Launch Costs.

7.3 [***]. Nektar shall provide **[***]** (**"[***]"**) to support the use of the Product in hospitals and other centers of care in the Shared Territory, with approximately **[***]** Bayer sales representatives, or the ratio set forth in the Commercialization Plan. Bayer shall be responsible for performing all other marketing, sales, and promotion activities in the Shared Territory, including without limitation providing a promotional sales force. The Parties will mutually agree upon the size and scope of responsibilities of Nektar's **[***]**. The activities of Bayer's promotional sales force and Nektar's and Bayer's **[***]** shall be conducted in accordance with Bayer's policies and the Launch Plan and the Commercialization Plan. The expenses of Nektar's **[***]** shall be included in Allowable Expenses.

7.4 [***]. Bayer and Nektar shall each provide **[***]** (**"[***]"**), who will be responsible for medical education and supporting physicians and scientists for the Product in the Shared Territory, all in accordance with the Commercialization Plan. The expenses of Bayer's and Nektar's **[***]** shall be included in Allowable Expenses.

7.5 Sales Representative Compliance. Each of Bayer and Nektar agrees to provide regular healthcare compliance training to its employees involved in the sales, marketing, promotion of, or price reporting for, the Product as appropriate and necessary that meets the training requirements and standards established by the GBT, and that will, at a minimum, cover the content and frequency of the training required by the CIA, Applicable Laws and all industry standards (including without limitation PhRMA Code and OIG guidance). Each of Bayer and Nektar agrees that any employees involved in the sales, marketing, promotion of, or price reporting for, the Product shall not have any legal or regulatory disqualifications, bars or sanctions in contravention of the CIA or any other requirement of Applicable Laws.

7.6 Commitment in the Shared Territory. Bayer sales representatives in the Shared Territory will spend at least **[***]** of their overall working time promoting the Product in the Shared Territory (for a total effort by Bayer of at least **[***]** full-time equivalents (**"FTEs"**) per year) over each of the first **[***]** years after Commercial Launch in the Shared Territory. Nektar's **[***]** in the Shared Territory will spend at least **[***]** of their overall working time promoting the Product in the Shared Territory (for a total effort by Nektar of at least **[***]** FTEs per year) over each of the first **[***]** years after Commercial Launch in the Shared Territory. For clarity, any portion of their overall working time that the foregoing FTEs spend on promotion of products other than the Product shall not be included in Allowable Expenses. The JFC shall designate an appropriate methodology for effecting an allocation of promotional efforts made by any of the foregoing FTEs between the Product and other products.

7.7 Packaging; Bayer and Nektar Marks. Bayer shall be responsible for all packaging (non-commercial and commercial) and labeling of the Product. To the extent allowed by Applicable Law and consistent with Bayer's internal Trademark policy as to size, location and prominence, all Product labeling and packaging, including without limitation Device packaging and package inserts and any promotional materials associated with the Product shall carry, in a conspicuous location, the Trademark of Nektar, subject to Bayer's reasonable

approval of the size, position, and location thereof on the Product or its components; provided such Trademark of Nektar shall be displayed in equal size and prominence as Bayer's Trademarks. Such Trademark shall be in addition to the Trademarks of Bayer. Further, such labeling and packaging and any promotional materials associated with the Product or the Device shall carry, in a conspicuous location, a Patent notice in accordance with and when required by the Applicable Laws of the country in which (a) the Product is sold, and (b) a claim in a Patent included in the Nektar Patent Rights or a Patent Controlled by Bayer covering the Product exists (including without limitation, in each case, Joint Patent Rights). Nektar and Bayer authorize the use of their respective Trademarks pursuant to this Section 7.7.

7.8 Promotion in [***].

(a) If Nektar develops reasonable promotional and selling capabilities within **[***]** within **[***]** years following Commercial Launch in **[***]**, then Nektar shall have the first right to discuss with Bayer the terms under which Nektar would provide **[***]** or other promotional and sales support for the Product in **[***]**.

(b) Prior to entering into any agreement with a Third Party relating to promotion or sale of the Product in **[***]**, Bayer shall first notify Nektar in writing, and Nektar shall have the exclusive right (if it has reasonable promotional and selling capabilities), for a period of **[***]** days, to negotiate in good faith the terms of an agreement whereunder Nektar would obtain the right to provide **[***]** and/or other promotional sales and support for the Product in **[***]**. After such period, if the Parties do not execute a definitive agreement governing such promotion or sales rights, Bayer shall be free to negotiate with Third Parties the terms under which such Third Parties would obtain such rights in **[***]**, and Bayer may enter into a binding agreement with any such Third Party regarding promotion or sale of the Product in **[***]**; provided that the material terms of any such agreement, taken as a whole, are more favorable to Bayer than the terms last proposed by Nektar.

8. Payment Obligations

8.1 Research and Development Funding. The Parties shall perform Development activities to develop and support Regulatory Approval of the Product pursuant to the Development Plan and Development Budget. Subject to the oversight of the GPT and endorsement by the JFC and compliance with the Development Plan:

(a) Bayer shall be solely responsible for, **[***]**, all costs and expenses incurred in connection with the clinical Development of the Product (other than the **[***]** and Phase II Clinical Trials that are ongoing as of the Effective Date), the preparation and submission of regulatory filings for the Product, on a worldwide basis, further CMC development of Formulated Amikacin and the final packaging of the Product, obtaining and maintaining all Regulatory Approvals for the Product in the Shared Territory and in the Royalty Territory, and generally for the Commercialization of the Product. If Bayer does not take over clinical supply

manufacturing of the Product, it will reimburse Nektar for costs of the Product formulation development activities as set forth in Exhibit 4.2(a)(iv).

(b) Nektar shall be solely responsible for, **[***]**, all costs and expenses incurred in connection with all further Development of the Device conducted through completion of Phase III Clinical Trials.

(c) Each Party shall provide reasonable assistance and technical expertise as necessary to transfer appropriate technology to support Development of the Product under the Agreement. Such assistance may include the grant of appropriate rights of access and reference to regulatory filings to enable the Parties to assume responsibility for Development of the Product, and participation in meetings with regulatory agencies with respect to the Product. The costs and expenses of all such assistance and transfer of technical expertise by Nektar to Bayer shall be borne solely by Bayer.

(d) [***] Costs that are included in the Commercialization Plan and Commercialization Budget shall be included in Allowable Expenses; provided, however, that, if the portion of any **[***]** Costs for which Nektar is responsible according to its share of Product Profit and Loss pursuant to Section 8.2(b) that are included in the Commercialization Plan and Commercialization Budget exceeds **[***]**, any additional **[***]** Costs shall not be included in Allowable Expenses and shall be borne solely by Bayer. Bayer shall solely bear any **[***]** Costs in the Royalty Territory, and any **[***]** Costs in the Shared Territory shall be included in Allowable Expenses.

8.2 Shared Territory Pre-Launch Costs; Profit-Sharing.

(a) Pre-Launch Costs. The Parties shall share all Pre-Launch Costs in the Shared Territory pursuant to a methodology and time line set forth in the Commercialization Plan and Commercialization Budget. Such methodology and time line will be established within ninety (90) days after the Effective Date. The ratio of such sharing shall be as follows: Bayer shall bear **[***]** of such costs, and Nektar shall bear **[***]** of such costs.

(b) Product Profit and Loss.

(i) Subject to Section 8.2(b)(ii) and Section 8.2(b)(iii)(x), commencing upon Regulatory Approval of the Product in the Shared Territory, the Parties shall share all Product Profit and Loss on sales of the Product in the Shared Territory for as long as the Product is being sold in the Shared Territory as follows: Bayer shall receive or bear, as applicable, fifty-two percent (52%) of Product Profit and Loss, and Nektar shall receive or bear, as applicable, forty-eight percent (48%) of Product Profit and Loss. Exhibit 8.2(b)(i) contains an example of the Product Profit and Loss calculation methodology applicable to Net Sales of the Product under this Section 8.2(b)(i).

(ii) Nektar may elect to opt out of sharing Product Profit and Loss upon written notice to Bayer no later than **[***]** months prior to the anticipated first Commercial Launch in the Shared Territory, in which case Nektar shall thereafter have no responsibility to bear any Pre-Launch Costs or Allowable Expenses, and shall not be entitled to share Product Profit and Loss. Bayer shall thereafter treat the Shared Territory as the Royalty Territory for purposes of the payments to be made under Section 8.4(a), (b), (c), (e) and (f) and Sections 8.5-8.10 (but not for purposes of Section 8.4(d)), provided that the Net Sales in the Shared Territory shall not be aggregated with Net Sales in the Royalty Territory for purposes of payments to be made under Section 8.4(a), and further provided that the royalty rate applicable to the Shared Territory under Section 8.4(a) shall be fixed at thirty percent (30%) of annual Net Sales in the Shared Territory (subject to any applicable **[***]** under Sections 8.2(b)(iii)(y), 8.2(c)(ii) or 8.4(b)). The royalties due under this Section 8.2(b)(ii) shall continue from the date of Commercial Launch in the Shared Territory until the later of: (A) ten (10) years thereafter; or (B) the expiration date (or the effective date of any lapse, abandonment or dedication to the public use) of the last Valid Claim covering the Product, or covering the importation, Manufacture, use, offer for sale or sale of the Product, in the Shared Territory. If Nektar opts out of sharing Product Profit and Loss pursuant to this Section 8.2(b)(ii), (1) Nektar shall thereafter be solely responsible for the payment of all amounts **[***]**, and (2) all of the Parties' payment obligations, other than those relating to Product Profit and Loss and Allowable Expenses, as set forth in this Agreement will continue to apply. For clarity, milestone payments payable by Bayer to Nektar pursuant to Section 8.4(d) shall not accrue based on sales of the Product in the Shared Territory.

(iii) In the event that:

A. [***]; and

B. [***];

then thereafter for so long as there is **[***]**: (x) the Parties shall not share Product Profit and Loss in accordance with the percentages set forth in Section 8.2(b)(i), but instead shall share all Product Profit and Loss in the Shared Territory as follows: Bayer shall receive **[***]** of Net Sales and Net Sublicense Revenues and bear **[***]** of Allowable Expenses, and Nektar shall receive **[***]** of Net Sales and Net Sublicense Revenues and bear **[***]** of Allowable Expenses, or (y) in the event that Nektar opts out of sharing Product Profit and Loss under Section 8.2(b)(i), then after such time as Nektar has opted out of sharing Product Profit and Loss pursuant to Section 8.2(b)(ii), the royalty rate on royalties due under Section 8.2(b)(ii) shall be **[***]**. Notwithstanding the foregoing, **[***]**, then this Section 8.2(b)(iii) shall apply again. Exhibit 8.2(b)(iii) contains an example of the Product Profit and Loss calculation methodology under Section 8.2(b)(iii)(x).

(c) [***] Expenses.

(i) The expenses Nektar shall be entitled to include in Allowable Expenses in the calculation of Product Profit and Loss for payments **[***]** with respect to the Shared Territory shall not exceed **[***]** of Net Sales of the Product in the Shared Territory for **[***]** and shall not exceed **[***]** of Net Sales of the Product in the Shared Territory for **[***]**. Other than with respect to the foregoing, as between the Parties, Nektar shall be solely responsible for the payment of all other amounts **[***]** with respect to the Shared Territory, including, without limitation, payments resulting from "**[***]**, and such amounts shall not be included in Allowable Expenses.

(ii) [***].

(d) Method and Timing of Payments. Within **[***]** days after the end of each of the **[***]** calendar quarters, and **[***]** days after the end of the **[***]** calendar quarter, of each calendar year following Commercial Launch in the Shared Territory: (i) Bayer shall report to Nektar and the JSC as outlined in Exhibit 1.8 Bayer's gross revenues and individual Allowable Expense items (each with appropriate supporting information) necessary for the computation of Product Profit and Loss for such quarter, and (ii) Nektar shall report to Bayer and the JSC as outlined in Exhibit 1.8 Nektar's individual Allowable Expense items (with appropriate supporting information) necessary for the computation of Product Profit and Loss for such quarter. The reports and payments due pursuant to this Section 8.2(d) for each calendar quarter shall include any reconciliations and adjustments with respect to previous quarters necessary to effect the sharing of Product Profit and Loss set forth in Section 8.2(b). In the event that the Allowable Expenses are greater than the sum of Net Sales and Net Sublicense Revenues for a particular quarter, the difference shall be deemed a loss, which shall be allocated to each Party in accordance with Section 8.2(b)(i) or 8.2(b)(iii)(x). Payments (including any reconciling payments for previous quarters) shall be made for each calendar quarter within **[***]** days after the reports are due and received from the Parties by Bayer or Nektar as applicable to effect the Parties' sharing of Product Profit and Loss as set forth in this Section 8.2.

8.3 Milestone Payments. Bayer shall make the following non-refundable, non-creditable Milestone Payments (the **"Milestone Payments"**) to Nektar, with respect to the Product, within **[***]** days after achievement of the relevant milestone for the Product. The milestones in this Section 8.3 are cumulative, such that under no circumstances is any single Milestone Payment to be deemed in lieu of, or to be substituted for, another Milestone Payment. For clarity, each milestone in this Section 8.3 is payable by Bayer to Nektar only once with respect to the achievement of any milestone under this Agreement.

Milestone Event	Payment (millions of Dollars)
(i) Effective Date (reimbursement by Bayer **[***]**)	$50*
(ii) **[***]**	$10**
(iii) **[***]**	$**[***]**
(iv) **[***]**	$**[***]**
(v) **[***]**	$**[***]**
(vi) **[***]**	$**[***]**
(vii) **[***]**	$**[***]**
(viii) **[***]**	$**[***]**

* $10 million of this payment shall be repaid to Bayer if Bayer terminates this Agreement within thirty (30) days following delivery by Nektar to Bayer of the final report for the **[***]**.

** This milestone payment shall be used by Nektar to reimburse Bayer's Development Costs of conducting any Phase III Clinical Trial in the Territory. Bayer shall invoice Nektar quarterly for such Development Costs as such costs are incurred pursuant to the Development Budget commencing with the calendar quarter immediately following the calendar quarter in which the first Phase III Clinical Trial Commences. Bayer shall provide to Nektar with such invoice documentation reasonably acceptable to Nektar evidencing such Development Costs, and Nektar shall have the right to verify any such Development Costs. Nektar shall pay such invoiced amounts within **[***]** days after its receipt of an invoice. If Bayer terminates this Agreement before such milestone payment is fully applied to reimburse such costs, Nektar shall have the right to retain any remaining portion of such milestone payment not applied to reimburse such costs as of the effective date of such termination.

8.4 Royalties in the Royalty Territory.

(a) In addition to any amounts due to Nektar under Sections 8.1, 8.2 and 8.3, and subject to the other provisions of this Section 8.4 and the terms and conditions of this Agreement, in consideration for the grant of the license under the Nektar Patent Rights and Nektar Know-How to Bayer under Section 2.1(a), Bayer shall pay Nektar non-refundable and non-creditable incremental royalties in the Royalty Territory based on the aggregate annual Net Sales of all Product sold in all countries in the Royalty Territory in a calendar quarter to Third Parties by or on behalf of Bayer, its Affiliates or Sublicensees, in which, and for so long as, the Product or the manufacture, use, sale, offer for sale, or importation of the Product would infringe a Valid Claim or constitute a misappropriation of the Nektar Know-How in such country in the absence of such license, according to the following royalty rates (for the purposes hereof,

"annual" means any complete calendar year period beginning on January 1 and ending on December 31):

Annual Royalty Rate	Annual Net Sales in the Royalty Territory (millions of Dollars)
14% of the amount between	$[***]
[***]% of the amount between	>$[***]
[***]% of the amount between	>$[***]
[***]% of the amount between	>$[***]
30% of the amount	>$[***]

Exhibit 8.4(a) contains an example of the royalty calculation methodology applicable to Net Sales of the Product under Section 8.4(a).

(b) In the event that there is no Valid Claim covering the Product, or covering the importation, Manufacture, use, offer for sale or sale of the Product in a given country in the Royalty Territory, then the applicable royalty rates under Section 8.4(a), subject to any **[***]** under Sections 8.4(e) and/or 8.4(f), in such country shall be **[***]**.

Exhibit 8.4(a) contains an example of the royalty calculation methodology applicable to Net Sales of the Product under Section 8.4(b).

(c) The royalties due under Sections 8.4(a) and 8.4(b) shall continue on a country-by-country basis, from the date of Commercial Launch of the Product in such country until the later of: (i) ten (10) years thereafter; or (ii) the expiration date (or the effective date of any lapse, abandonment or dedication to the public use) of the last Valid Claim covering the Product, or covering the importation, Manufacture, use, offer for sale or sale of the Product, in such country. The royalty rates at which Bayer is obligated to pay royalties under this Section 8.4(c) are determined by the percentages set forth in Sections 8.4(a) and 8.4(b), such that at any point in time during which Bayer has a royalty payment obligation under Sections 8.4(a) or 8.4(b), the royalty rate shall be determined on a country-by-country basis by whether or not there is Valid Claim covering the Product, or the importation, Manufacture, use, offer for sale or sale of the Product, in such country.

(d) Additional Royalty Payments. The following one-time additional royalty payments will also be paid by Bayer to Nektar within **[***]** days after the delivery of the report under Section 8.5 demonstrating the first occurrence of each of the following events:

Event	Payment (millions of Dollars)
First time that Net Sales in the Royalty Territory in a calendar year **[***]**	$**[***]**
First time that Net Sales in the Royalty Territory in a calendar year **[***]**	$**[***]**
First time that Net Sales in the Royalty Territory in a calendar year **[***]**	$**[***]**
First time that Net Sales in the Royalty Territory in a calendar year **[***]**	$**[***]**
First time that Net Sales in the Royalty Territory in a calendar year **[***]**	$**[***]**

All of the additional royalty payments made under this Section 8.4(d) are non-refundable and non-creditable, and each such payment is payable only once.

(e) Nektar shall be solely responsible for the payment of all amounts **[***]** with respect to the Royalty Territory. **[***]**.

(f) On a country-by-country basis, in the event that:

(i) [***]; and

(ii) [***];

then thereafter for so long as there is **[***]**, the royalty rate in such country as calculated in accordance with Section 8.4(a) shall be **[***]** for annual Net Sales in the Royalty Territory less than or equal to [***], and (2) **[***]** for annual Nets Sales in the Royalty Territory greater than **[***]**. Notwithstanding the foregoing, if at any point **[***]**, then this Section 8.4(f) shall apply again.

8.5 Payments. Payments due under Section 8.4(a) shall be paid not later than **[***]** calendar days following the end of each calendar quarter with respect to Net Sales in such quarter. Each payment under this Section 8.5 shall be accompanied by a written report showing, on a country-by-country basis, (a) the calendar quarter for which such payment applies, (b) the amount billed to Third Parties for the Product during such quarter, (c) the total deductions from

the amount billed to arrive at Net Sales, (d) the quantities of all Product sold, and (e) the amount of royalties due. Any late payments under this Agreement shall bear interest at the prime rate of interest as reported on the first business day following the date payment is due in the "Money Rates" section of *The Wall Street Journal* (Eastern United States Edition).

8.6 Currency of Payment. All payments to be made under this Agreement shall be made in Dollars. Net Sales made in foreign currencies shall be converted into Dollars using the average of the month end daily currency exchange rates set forth in *The Wall Street Journal* (Eastern United States Edition) for each of the three calendar months included in the calendar quarter in which such Net Sales were made. All such converted Net Sales and cost items shall be consolidated with U.S. Net Sales for each calendar quarter and the applicable payments determined therefrom.

8.7 Single Royalty. Royalties payable under Section 8.4(a) or (d) will be payable only once with respect to a particular unit of the Product and will be paid only once regardless of the number of Patents applicable to such Product. If royalties are payable for the Product under Section 8.4(a), no royalties will be payable for the Product under Section 8.4(b). For clarity, all royalties due under the royalty-bearing licenses in Sections 2.1(a)(i), 2.1(a)(iii) and 18.7(b) are accounted for under the terms of this Agreement and no additional royalties are payable with respect to Sections 2.1(a)(i), 2.1(a)(iii) and 18.7(b).

8.8 Sublicensing. In the event Bayer grants a sublicense under Section 2.1 to a Sublicensee to make, use, import, offer to sell or sell the Product, such sublicenses shall require the Sublicensee to account for and report its Net Sales of the Product on the same basis as if such sales were Net Sales of the Product by Bayer, and Bayer shall pay royalties on such sales as if the Net Sales of the Sublicensees were Net Sales of Bayer.

8.9 Accounting.

(a) For the purposes of determining all costs and expenses hereunder, any cost or expense allocated by either Party to a particular category for the Product shall not also be allocated to another category for such Product, and any cost or expense allocated to the Product in a particular country shall not be allocated or allocable to another product of such Party in such country or the same Product in a different country.

(b) Each Party agrees to determine Net Sales, Allowable Expenses, Patent costs, Trademark Expenses and Pre-Launch Costs with respect to the Product using its standard accounting procedures, consistent with GAAP or IFRS or IAS to the extent practical as if the Product was a solely owned product of each Party, except as specifically provided in this Agreement. In the case of amounts to be determined by Third Parties (for example, Net Sales by Sublicensees), such amounts shall be determined in accordance with GAAP or IFRS or IAS in effect in the country in which such Third Party is engaged. The Parties also recognize that such procedures may change from time to time and that any such changes may affect the definition of

Net Sales, Allowable Expenses, or Pre-Launch Costs. The Parties agree that, where such changes are economically material to either Party, adjustments shall be made to compensate the affected Party in order to preserve the same economics as are reflected under this Agreement under such Party's accounting procedures in effect prior to such change (for example, Development or Commercialization). Where the change is or would be material to one Party, the other Party shall provide an explanation of the proposed change and an accounting of the effect of the change on the relevant revenue, cost, or expense category.

(c) In the event of the payment or receipt of non-cash consideration in connection with the performance of activities under this Agreement, the Party engaging in such non-cash transaction shall advise the JFC of such transaction, including without limitation such Party's assessment of the fair market value of such non-cash consideration and the basis therefor. Such transaction shall be accounted for on a cash equivalent basis, as mutually agreed by the Parties in good faith.

8.10 Withholding Tax. Any Party required to make a payment to any Party under this Agreement shall be entitled to deduct and withhold from the amount otherwise payable such amounts to the extent it is required to deduct and withhold with respect to such payment under any provision of federal, state, local or foreign tax law. Such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Party on whose behalf it was withheld. No deduction shall be made to the extent the paying Party is timely furnished with necessary documents certifying that the payment is exempt from tax or subject to a reduced tax rate.

9. Manufacture and Supply of Amikacin and the Device

9.1 Manufacturing and Supply Agreement.

(a) Negotiation. The Parties shall, within sixty (60) days after written request by the JSC, convene a meeting to negotiate in good faith the terms and conditions of a manufacturing and supply agreement (**"Manufacturing and Supply Agreement"**) which shall establish all material economic, quality, safety, business and technical terms under which Nektar shall supply to Bayer all of Bayer's forecasted requirements of the Device. Within ninety (90) days after the commencement of those negotiations, the Parties shall exercise Commercially Reasonable Efforts to execute a mutually satisfactory Manufacturing and Supply Agreement.

(b) Commercial Manufacturing and Supply. In connection with any Manufacturing and Supply Agreement entered into pursuant to this Agreement, Bayer shall provide Formulated Amikacin for commercial supply of the Product and shall be responsible for final packaging of Formulated Amikacin with the Device. Bayer's cost for the Device, Formulated Amikacin, and final Product packaging for commercial supply for the Shared Territory shall be included in Allowable Expenses. Nektar shall supply the Device for use in the Manufacture of commercial supplies of the Product to Bayer, at a price for the Shared Territory

equal to Nektar's Fully Burdened Manufacturing Cost therefor, and at a price for the Royalty Territory equal to one hundred thirty (130%) of Nektar's Fully Burdened Manufacturing Cost therefor. In the event that the amount Bayer pays to Nektar for the Device in the Royalty Territory **[***]** in accordance with the dollar amounts and time schedule to be set forth in the Manufacturing and Supply Agreement, such agreement would specify that Bayer would have the right to **[***]** for commercial supply of the Device to provide reasonable accommodation for the **[***]**, provided that in no event would the purchase price for the Device be less than **[***]** of Nektar's Fully Burdened Manufacturing Cost therefor. All amounts paid by Bayer to Nektar for commercial supply of the Device for the Shared Territory, and Bayer's Cost of Goods Sold (as defined in Exhibit 1.8) for manufacturing Formulated Amikacin, and performing final packaging and labeling of the Product, for commercial supply in the Shared Territory, will be included in Allowable Expenses.

9.2 Clinical Manufacturing and Supply. Bayer shall pay Nektar, on an ongoing basis, for the supply of the Device and Formulated Amikacin for use in Clinical Trials of the Product at a price equal to Nektar's Fully Burdened Manufacturing Cost thereof. Payments due under this Section 9.2 shall be paid not later than **[***]** days after the date of invoice by Nektar therefor. Within ninety (90) days after the Effective Date, the Parties will enter into an agreement governing the detailed terms of Nektar's supply obligation under this Section 9.2. For clarity, these payments shall not be included in Allowable Expenses for purposes of the Product Profit and Loss calculations.

9.3 Manufacturing Expenditures. Bayer shall be responsible for all capital costs incurred in connection with the Manufacture of Formulated Amikacin and Product (excluding the Device), including without limitation building out manufacturing capacity for Formulated Amikacin and Product and final packaging of the Product, and the depreciation on such capital expenditures will be included in Allowable Expenses to the extent allocable to the Shared Territory, in the manner established by the JFC. Nektar shall be responsible for all capital costs incurred in connection with the Manufacture of the Device, including without limitation building out manufacturing capacity for the Device, and the depreciation on such capital expenditures will similarly be included in Allowable Expenses to the extent allocable to the Shared Territory, in the manner established by the JFC.

10. Record Keeping, Record Retention and Audits

10.1 Record Keeping. Each Party shall record, to the extent practical, all research and development Information relating to the Project in standard laboratory notebooks, which shall be signed, dated and witnessed, or if kept electronically, suitably validated. To the extent practical, the notebooks of each Party for the Project shall be kept separately from notebooks documenting other research and development of such Party. Each Party shall require its employees, consultants and contractors (and in the case of Bayer, shall cause its Affiliates and Sublicensees) to disclose any Inventions relating to the Project in writing promptly after conception.

10.2 Record Retention. Nektar shall keep complete and accurate records pertaining to the research, Development and Manufacture of the Device and Patent costs and Trademark Expenses in sufficient detail to permit Bayer to verify the costs related to the research, Development and Manufacturing efforts of Nektar under this Agreement for which Bayer is responsible for paying, reimbursing or sharing. Bayer shall keep complete and accurate records pertaining to the research, Development, manufacture, regulatory activities, and Commercialization related to the Product and Patent costs and Trademark Expenses, which documents would enable Nektar to confirm Bayer's costs of performing its obligations under this Agreement and to confirm the accuracy of calculations of all payments made under this Agreement The records to be maintained by each Party under this Section 10.2 shall be maintained for a minimum of **[***]** years following the year in which the corresponding efforts or payments, as the case may be, were made under this Agreement or longer if required by Applicable Law.

10.3 Audit Request. Each Party shall, at its expense (except as provided below), have the right to audit, not more than once during each calendar year and during regular business hours, the records maintained by the other Party under Section 10.2, to determine with respect to any calendar year, the accuracy of any report or payment made under this Agreement in the **[***]** preceding years. If a Party desires to audit such records, it shall engage an independent, certified public accountant reasonably acceptable to the other Party, to examine such records under conditions of confidentiality. Such accountant shall be instructed to provide to the auditing Party a report verifying any report made or payment submitted by the audited Party during such period, but shall not disclose to the auditing Party any confidential Information of the audited Party not necessary therefor. The expense of such audit shall be borne by the auditing Party; provided, however, that, if an error of more than ten percent (10%) is discovered, then such expenses shall be paid by the audited Party. If such accountant concludes that additional payment amounts were owed to a Party during any period, the debtor Party shall pay such payment amount (including without limitation interest thereon from the date such amounts were payable) within thirty (30) days after the date the creditor Party delivers to the debtor Party such accountant's written report so concluding, unless the debtor Party notifies the creditor Party of any dispute regarding the audit and commences proceedings under Section 20.10 within thirty (30) days after delivery of the accountant's report (in which case the payment shall be delayed until conclusion of the proceeding). Such auditors shall not be paid on a contingency basis. Any Information received by an auditing Party pursuant to this Section 10.3 shall be deemed to be Confidential Information of the audited Party.

10.4 Survival. This Article 10 shall survive any termination or expiration of this Agreement for a period of **[***]** years following the final payment made by Bayer or Nektar hereunder, or longer if required by Applicable Law.

11. Inventions, Know-How and Patents

11.1 Existing Intellectual Property. Other than as expressly provided in this Agreement, neither Party grants any right, title, or interest in any Patent rights, Information, or other intellectual property right Controlled by such Party to the other Party. Within ninety (90) days after the Effective Date, Nektar shall file a continuation Patent Application consistent with applicable patent laws and procedure based upon **[***]**, such continuation to contain only claims encompassing **[***]**. Within **[***]** days after such continuation Patent Application is filed, Nektar shall transfer ownership and control of such application to Bayer in a manner agreed to by the Parties, including to effectuate Bayer's ability to control prosecution of all inventions disclosed therein and generically or specifically covering **[***]**.

11.2 Ownership of Inventions.

(a) Ownership of inventions arising during and in the course of the Parties' performance under the Agreement, and related intellectual property rights (**"Inventions"**) shall be determined in accordance with U.S. rules of inventorship, except as otherwise set forth in this Section 11.2(a), below. For clarity, except as set forth in this Section 11.2(a), below, each Party shall have an undivided interest in and to any Inventions made by employees or independent contractors of both Parties (**"Joint Inventions"**), without a duty of accounting to the other Party and without an obligation to obtain consent of the other Party to grant licenses thereunder in countries in which such duty or obligation would otherwise apply. Each Party shall promptly disclose, and shall cause its Sublicensees and Affiliates to disclose, to the other Party any Inventions that it or its employees, Sublicensees, Affiliates, independent contractors or agents solely or jointly make, conceive, reduce to practice, author, or otherwise discover. Notwithstanding the foregoing:

(i) Subject to Section 11.3(a)(i), Nektar shall solely own all Inventions relating to the Device, to methods of using or manufacturing the Device, and/or to the PDDS Platform Technology, whether made by employees, independent contractors or agents of either Party or jointly by employees, independent contractors or agents of both Parties. Such Inventions and Patents and Patent Applications claiming such Inventions are included in the Nektar Patent Rights and Nektar Know-How, as applicable, and licensed to Bayer pursuant to Section 2.1.

(ii) Subject to Section 11.3(a)(ii), Bayer shall solely own all Inventions relating to Formulated Amikacin or to methods of using or manufacturing the Formulated Amikacin, including without limitation methods of treatment using Formulated Amikacin, whether made by employees, independent contractors or agents of either Party or jointly by employees, independent contractors or agents of both Parties. Bayer hereby grants to Nektar a non-exclusive, royalty-free, license with the right to grant sublicenses in accordance with Section 2.3 (the portion of which license described in subsection (B), below, shall be irrevocable and perpetual), under Bayer's interest in such Inventions, to make, have made, use,

have used, sell, have sold, offer for sale, import, have imported, exported and have exported (A) the Product in the Shared Territory and (B) other products that are based on or incorporate a combination of such Inventions and the PDDS Platform Technology in the Territory.

(b) Assignment and Perfection of Interests. Without additional consideration except as otherwise provided for in this Section 11.2(b), each Party hereby assigns to the other Party such of its right, title and interest in and to any Inventions, Patent rights claiming them, and all other intellectual property rights therein, including without limitation enforcement rights, and shall require its Sublicensees, Affiliates, independent contractors, employees or agents to so assign to the other Party such of their right, title and interest in and to the foregoing, as is necessary to effectuate the allocation of right, title and interest in and to Inventions as set forth in Section 11.2(a). Each Party shall, and shall cause its Sublicensees, Affiliates, independent contractors, employees and agents to, cooperate with the other Party and take all reasonable additional actions and execute such agreements, instruments and documents as may be reasonably required to perfect the other Party's right, title and interest in and to Inventions, Patent rights and other intellectual property rights as such other Party has pursuant to Section 11.2(a). Each Party shall also include without limitation provisions in its relevant agreements with Third Parties that effect the intent of this Section 11.2(b). If any independent contractor, employee or agent of a Party, its Sublicensees, or Affiliates makes an Invention that the Party is obligated to assign or cause to be assigned to the other Party hereunder, then, in such case, the assignee Party agrees to pay the assignor Party **[***]** per Invention.

11.3 Patent Prosecution and Maintenance.

(a) Each Party shall file and prosecute Patent Applications and maintain Patents in a manner consistent with optimizing Patent protection on Inventions and other inventions Controlled by Nektar or Aerogen that are disclosed and/or claimed in the Nektar Patent Rights. Each Party shall cause its patent counsel to confer no less frequently than once each calendar quarter regarding the status of all such Patent Applications and Patents for which it is responsible under this Section 11.3, and whether and in which countries foreign counterparts of such Patent Applications and Patents shall be filed. The Parties shall set the location, date, time and type of meeting (either in person, by teleconference, or by videoconference) so as to be mutually agreeable to the patent counsel of each Party.

(i) [***] of and be responsible for filing, prosecuting and maintaining Patents and Patent Applications claiming inventions it Controls as of the Effective Date and those it Controls that arise outside the Parties' performance pursuant to this Agreement, and Patents and Patent Applications on Inventions it solely owns under the Agreement. If Nektar does not wish to file, prosecute or maintain any such Patent Applications or Patents that relate to **[***]** in any country, Nektar shall give Bayer reasonable written notice to such effect and shall grant Bayer any necessary authority to file, prosecute and maintain such Patent Applications or maintain such a Patent in Bayer's own name and at Bayer's sole expense. In such event, Nektar shall assign its entire right, title and interest in and to such Patent Applications or Patents in that

country to Bayer. Notwithstanding the foregoing, after the Effective Date, Nektar shall file Patent Applications included within the Nektar Patent Rights in at least the countries and regions listed in Exhibit 11.3(a)(i). Nektar shall give Bayer reasonable written notice of the countries and regions in which it will file such Patent Applications in order to permit Bayer reasonable time to file such Patent Applications in any country in which Nektar will not be filing. If Bayer wishes to file such Patent Applications in any additional countries, Nektar shall provide Bayer with copies of any documents necessary to conduct such filings and shall grant Bayer any necessary authority to file, prosecute and maintain such Patent Applications in Bayer's own name and at Bayer's sole expense. In such event, Nektar shall assign its entire right, title and interest in and to such Patent Applications in that country to Bayer. **[***]** and be solely responsible for prosecuting, maintaining, enforcing and defending any Patent or Patent Application assigned to Bayer under this Section 11.3(a)(i). In the event that Bayer chooses not to prosecute, maintain, enforce or defend any such Patents or Patent Applications, Nektar will have the option to do so **[***]**.

(ii) [***] and be responsible for filing, prosecuting and maintaining Patents and Patent Applications on Inventions it solely owns under the Agreement. If Bayer does not wish to file, prosecute or maintain any such Patent Applications or Patents in any country, Bayer shall give Nektar reasonable written notice to such effect and shall grant Nektar any necessary authority to file, prosecute and maintain such Patent Applications or maintain or defend such a Patent in Nektar's own name and **[***]**. In such event, Bayer shall assign its entire right, title and interest in and to such Patent Applications or Patents in that country to Nektar.

(iii) For jointly owned Inventions, the Parties shall select a mutually acceptable Third Party patent counsel to file, prosecute and maintain Patents and Patent Applications thereon on behalf of both Parties (**"Joint Patent Rights"**). All costs and expenses for Joint Patent Rights shall be shared by the Parties as follows: Bayer shall bear **[***]** of such costs and expenses and Nektar shall bear **[***]** of such costs and expenses. If either Party does not wish to file, prosecute or maintain any Joint Patent Rights in any country or pay its portion of any shared costs for Joint Patent Rights in any country, that Party shall give the other Party reasonable written notice to such effect and shall grant the other Party any necessary authority to file, prosecute, maintain or defend such Joint Patent Rights in the other Party's own name and at the other Party's sole expense. In such event, the Party shall assign its entire right, title and interest in and to such Joint Patent Rights in that country to the other Party.

(b) Each Party shall promptly disclose, and shall cause its Sublicensees and Affiliates to disclose, to the other in writing all Inventions and intellectual property rights arising from the joint or separate activities of the Parties or their respective agents, contractors, Affiliates and sublicensees during and in connection with the performance of the activities conducted pursuant to this Agreement. Each Party shall ensure that, to the extent permitted by Applicable Law, its employees, agents, contractors, and sublicensees performing work pursuant to this Agreement are, and shall cause its Affiliates performing work pursuant to

this Agreement to be, under an obligation to assign to it all Inventions therein and intellectual property rights made or arising during and in the course of and as a result of the performance of such work or, where such obligation is not permitted in a particular country, to exclusively license to it all such Inventions and intellectual property rights, with the right to authorize or grant sublicenses in such country, or where neither of the foregoing obligations is permitted in a particular country then, to non-exclusively license to it all such Inventions and intellectual property rights, with the right to authorize or grant sublicenses in such country.

11.4 Third Party Licenses.

(a) If either Party reasonably determines that certain Third Party intellectual property rights are necessary for the Development or Commercialization of the Product, where such Third Party intellectual property rights are necessary solely due to the inclusion of **[***]** in the Product, Bayer shall at its expense obtain a license to such Third Party intellectual property, with the right to sublicense, in order to permit both Parties to conduct their obligations under the Agreement. Subject to the foregoing, the terms and conditions involved in obtaining such rights shall be determined at Bayer's sole discretion. If Bayer elects not to obtain rights to such Third Party intellectual property, or is unsuccessful in obtaining such rights, then Nektar shall have the right (but not the obligation) to negotiate and obtain rights from such Third Party at its sole discretion and expense. If either Party reasonably determines that certain Third Party intellectual property rights are necessary for the Development or Commercialization of the Product, where such Third Party intellectual property rights are necessary solely due to the inclusion of the **[***]** in the Product, Nektar shall at its expense obtain a license to such Third Party intellectual property, with the right to sublicense, in order to permit both Parties to conduct their obligations under the Agreement. Subject to the foregoing, the terms and conditions involved in obtaining such rights shall be determined at Nektar's sole discretion. If Nektar elects not to obtain rights to such Third Party intellectual property, or is unsuccessful in obtaining such rights, then Bayer shall have the right (but not the obligation) to negotiate and obtain rights from such Third Party at its sole discretion and expense. If either Party reasonably determines that certain Third Party intellectual property rights are necessary for the Development or Commercialization of the Product, where such Third Party intellectual property rights are required for reasons not solely based on the inclusion of **[***]** in the Product, the Parties shall jointly obtain the requisite rights to such Third Party intellectual property and share the costs associated therewith as follows: Bayer shall bear **[***]** of such costs and Nektar shall bear **[***]** of such costs. The terms and conditions involved in obtaining such rights shall be mutually agreed upon by both Parties.

(b) If the Parties disagree on whether rights in Third Party intellectual property are reasonably necessary for the Development or Commercialization of the Product, the JSC will be responsible for determining whether rights in such Third Party intellectual property should be obtained. If the JSC determines that rights in such Third Party intellectual property are reasonably necessary, the responsibility and costs for obtaining such rights shall be borne by the Parties as follows: (i) Bayer shall bear all costs and expenses incurred in connection with any

such license, under Third Party intellectual property rights that are necessary solely due to the inclusion of **[***]** in the Product; (ii) Nektar shall bear all costs and expenses incurred in connection with any such license, under Third Party intellectual property rights that are necessary solely due to the inclusion of the **[***]** in the Product; and (iii) for any such licenses under Third Party intellectual property rights that are required for reasons not solely due either to the inclusion of **[***]**, in the Product, the Parties shall jointly obtain the requisite license to such Third Party intellectual property rights and share the costs associated therewith as follows: Bayer shall bear **[***]** of such costs, and Nektar shall bear **[***]** of such costs. If the JSC determines that rights in such Third Party intellectual property are not required, either Party may obtain a license under such Third Party intellectual property at its sole discretion and expense.

11.5 Infringement by Third Parties. Subject to Section 11.3(a)(ii), **[***]** enforcing, and shall have the first right to enforce, Patents throughout the Territory that claim the composition of matter of, methods of making, or methods of using **[***]**, which right includes the right to control and settle the litigation (subject to the last sentence of this Section 11.5). Subject to Section 11.3(a)(i), **[***]** enforcing, and shall have the first right to enforce, Patents throughout the Territory that claim the **[***]**, which right includes the right to control and settle the litigation (subject to the last sentence of this Section 11.5). If the Party having such first right does not initiate an enforcement action within ninety (90) days after the Parties first learn of such infringement, the other Party shall have the right to enforce such Patents against infringers to the extent such infringement relates to products competitive with the Product in the Field. All of the costs and expenses of both Parties incurred in connection with such proceedings shall be borne by the Party bringing such action, and any recoveries shall be awarded to the enforcing Party. For Nektar Patent Rights and Patents Controlled by Bayer and/or its Affiliates relating to a **[***]** (in each case, including without limitation Joint Patent Rights), the Parties shall jointly enforce such Patents throughout the Territory and share the costs associated with such enforcement and any recoveries associated therewith as follows: Bayer shall bear or receive **[***]** of such costs or recovery, as applicable, and Nektar shall bear or receive **[***]** of such costs or recovery, as applicable. If one Party chooses not to participate in enforcement of Patents relating to a **[***]**, the other Party shall have the right to enforce such Patents (provided all of the costs and expenses of both Parties incurred in connection with such enforcement shall be borne by the enforcing Party), including without limitation the right to settle such litigation (subject to the last sentence of this Section 11.5) at its sole expense and to keep all recoveries associated therewith. If, in any enforcement action taken pursuant to this Section 11.5, the enforcing Party determines that the other Party is an indispensable party to such action, the other Party hereby consents to be joined in such action and, in such event, the other Party shall have the right to be represented in such action using counsel of its own choice at the enforcing Party's expense. Notwithstanding the foregoing, each Party's enforcement rights under this Section 11.5 shall be subject to limitations imposed in any license agreement with a Third Party existing as of the Effective Date relating to the Patent to be enforced. The joint consent of Bayer and Nektar (which consent shall not be unreasonably withheld or delayed) shall be required of any settlement, consent judgment or other voluntary final disposition of a suit under this Section 11.5 that could adversely affect the other Party's interest.

11.6 Infringement Outside the Field. Nektar shall retain any and all rights to pursue an action against, and control all proceedings relating to, an infringement by a Third Party of the Nektar Patent Rights or Nektar Know-How that is not related to the Product and/or is exclusively outside the Field. Bayer shall retain any and all rights to pursue an action against, and control all proceedings relating to, an infringement by a Third Party of a Patent relating to an Invention solely owned by Bayer under the Agreement that is not related to the Product and/or is exclusively outside the Field.

11.7 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 Article 11.

11.8 [***] Patents*. [***] retains certain rights to prosecute and enforce certain Patents and Patent Applications **[***]**.

12. Representations and Warranties

12.1 The Parties' Representations and Warranties. Nektar, Aerogen and Bayer (each a **"Representing Party"**) each hereby represents and warrants to each other, as of the Effective Date, as set forth below:

(a) To the best of such Representing Party's knowledge, all of its employees, officers, contractors and consultants have executed agreements requiring assignment to such Representing Party of all inventions made during the course of and as a result of their association with such Representing Party and obligating each such employee, officer, contractor and consultant to maintain as confidential the Confidential Information of such Representing Party.

(b) It has the power, authority and legal right, and is free, to enter into this Agreement and, in so doing, will not violate any other agreement to which it is a party as of the Effective Date. Moreover, during the term of this Agreement, it shall not enter into any agreement with any Third Party that will conflict with the rights granted to another Representing Party under this Agreement. This Agreement has been duly executed and delivered on behalf of such Representing Party and constitutes a legal, valid and binding obligation of such Representing Party and is enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered a proceeding at law or equity.

(c) It has taken all corporate action necessary to authorize the execution and delivery of this Agreement.

(d) Neither it, nor any of its employees, officers, subcontractors or consultants who have rendered or will render services relating to the Project or the Product: (i) has ever been debarred or is subject or debarment or convicted of a crime for which an entity or

person could be debarred under 21 U.S.C. Section 335a, or (ii) has ever been under indictment for a crime for which a person or entity could be debarred under said Section 335a. If during the term of this Agreement, a Representing Party has reason to believe that it or any of its employees, officers, subcontractors or consultants rendering services relating to the Project or the Product: (x) is or will be debarred or convicted of a crime under 21 U.S.C. Section 335a, or (y) is or will be under indictment under said Section 335a, then such Representing Party shall immediately notify the other Representing Parties of same in writing.

(e) All necessary consents, approvals and authorizations of all Regulatory Authorities and other Third Parties required to be obtained by such Representing Party in connection with the execution and delivery of this Agreement and the performance of its obligations hereunder have been obtained.

(f) The execution and delivery of this Agreement and the performance of such Representing Party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Law or any provision of the articles of incorporation, bylaws, limited partnership agreement or any similar instrument of such Representing Party, as applicable, in any material way, and (ii) do not conflict with, violate, or breach or constitute a default or require any consent under, any Applicable Law or any contractual obligation or court or administrative order by which such Representing Party is bound.

12.2 Additional Representations and Warranties of Bayer. Bayer hereby represents and warrants to Nektar, as of the Effective Date, that Bayer (a) is a corporation duly organized and subsisting under the laws of its jurisdiction of organization, and (b) has full power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement.

12.3 Additional Representations and Warranties of Nektar and Aerogen. Nektar and Aerogen hereby represents and warrants to Bayer, as of the Effective Date, as set forth below:

(a) Nektar is a corporation duly organized, validly existing and subsisting under the laws of the State of Delaware. Aerogen is a wholly owned subsidiary of Nektar, and is a corporation duly organized, validly existing and subsisting under the laws of the State of Delaware.

(b) Each of Nektar and Aerogen has full power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as is contemplated to be conducted by this Agreement.

(c) Nektar has title to Patents and Patent Applications solely owned by Nektar and included within the Nektar Patent Rights. The Nektar Patent Rights solely owned by Nektar are free and clear of any liens, charges, encumbrances, or judgments in the Field.

Aerogen has title to Patents and Patent Applications solely owned by Aerogen and included within the Nektar Patent Rights. The Nektar Patent Rights solely owned by Aerogen are free and clear of any liens, charges, encumbrances, or judgments in the Field, except to the extent **[***]**.

(d) Except for the license grants in Section 2.1, and except as to any rights previously granted by **[***]**, neither Nektar, Aerogen nor any of their Affiliates have assigned, transferred, conveyed or otherwise encumbered in the Field, any right, title or interest in or to the Nektar Patent Rights or the Nektar Know-How.

(e) There are no judgments or settlements against Nektar or Aerogen or amounts owed by Nektar or Aerogen (other than amounts owed in the ordinary course of business) with respect to the Nektar Patent Rights or the Nektar Know-How, except with respect to the **[***]**.

(f) Nektar has provided Bayer with a copy of all validity, infringement or freedom-to-operate opinions that were prepared on behalf of Nektar or Aerogen by outside counsel pertaining to the **[***]**.

(g) Nektar and Aerogen, to their actual knowledge, are in compliance in all material respects with any agreement between Nektar or Aerogen and a Third Party relating to the practice of the Nektar Patent Rights in the Field.

(h) All Patents and Patent Applications owned by Nektar or Aerogen as of the Effective Date that claim a product, method, apparatus, material, manufacturing process or other technology necessary to develop, make, use, sell, offer for sale, import or export **[***]** are Controlled by Nektar or Aerogen as of the Effective Date.

(i) Nektar and Aerogen have sufficient legal and/or beneficial title under their intellectual property rights necessary for the purposes contemplated under this Agreement and to grant the licenses contained in this Agreement.

(j) Neither Nektar nor Aerogen are aware of any pending or threatened litigation nor have they received any written communications alleging that they have violated or would violate, through the manufacture, import and/or sale of the Product hereunder, or by conducting their obligations under the Project as currently proposed under this Agreement, any rights including intellectual property rights of any Third Party.

13. Non-Solicitation of Employees

13.1 Non-Solicitation. While the Parties are performing research, Development and Commercialization activities in connection with the Project under this Agreement and for a period of **[***]** years thereafter, neither Party shall, without the express written consent of the other Party, recruit, solicit or induce any employee of the other Party to terminate his or her employment with such other Party. The foregoing provision shall not,

however, restrict either Party or its Affiliates from advertising employment opportunities in any manner that does not directly target the other Party or its Affiliates or from hiring any persons who respond to such generalized public advertisements.

14. Mutual Indemnification and Insurance

14.1 Nektar's Right to Indemnification. Bayer shall indemnify, defend and hold harmless each of Nektar and its Affiliates and their respective successors, assigns, directors, officers, employees and agents, from and against any and all liabilities, damages, losses, settlements, penalties, fines, costs and expenses, including without limitation reasonable attorneys' fees and litigation costs (any of the foregoing to be referred to herein as **"Damages"**) of whatever kind or nature (but not including taxes) arising from any Third Party demand, investigation, claim, action or suit in the Territory to the extent based on (i) any act, whether of omission or commission, by Bayer (or its Affiliates, Sublicensees or any of their respective directors, officers, agents, employees or contractors) with respect to its failure to properly discharge or perform its areas of responsibility under this Agreement, including, without limitation, the supply of Formulated Amikacin for Commercial purposes (including without limitation any defect or alleged defect in Formulated Amikacin provided pursuant to this Agreement or any injury or death of any person arising out of or related to Formulated Amikacin provided pursuant to this Agreement), packaging and distribution of the Product for Commercial purposes, the conduct of any Clinical Trial by Bayer, and the Exploitation of the Product, except in each case for those types of Damages for which Nektar has an obligation to indemnify Bayer and its Affiliates pursuant to Section 14.2; (ii) the gross negligence or willful or intentional misconduct of Bayer, its Affiliates or any of its Sublicensees or their respective directors, officers, agents, employees or contractors under this Agreement; (iii) a material breach by Bayer of any term of this Agreement, (iv) a material breach by Bayer of any obligation, representation, warranty or covenant hereunder; or (v) a violation of Applicable Law in the performance of its duties under this Agreement by Bayer, its Affiliates or any of its Sublicensees or their respective directors, officers, agents, employees or contractors, in each case except to the extent caused by (a) the gross negligence or willful intentional misconduct of Nektar, its Affiliates, or Sublicensees, or any of their respective directors, officers, agents, contractors or employees under this Agreement; (b) material breach by Nektar of any term of this Agreement; (c) the material breach by Nektar of any obligation, representation, covenant or warranty hereunder; or (d) any violation of Applicable Law in the performance of its duties under this Agreement by Nektar, its Affiliates, or Sublicensees, or any of their respective directors, officers, agents, contractors or employees.

14.2 Bayer's Right to Indemnification. Nektar shall indemnify, defend and hold harmless each of Bayer and its Affiliates and their respective successors, assigns, directors, officers, employees and agents, from and against any and all Damages of whatever kind or nature (but not including taxes) arising from any Third Party demand, investigation, claim, action or suit in the Territory to the extent based on (i) any act, whether of omission or commission, by Nektar (or its Affiliates or any of their respective directors, officers, agents, employees or

contractors) with respect to its failure to properly discharge or perform its areas of responsibility under this Agreement, including, without limitation, the supply of the Device (including without limitation any defect or alleged defect in the Device provided pursuant to this Agreement or any injury or death of any person arising out of or related to any Device provided pursuant to this Agreement), the supply of Formulated Amikacin for Clinical Trials, and the conduct of Phase I Clinical Trials, **[***]**, and Phase II Clinical Trials by Nektar, except in each case for those types of Damages for which Bayer has an obligation to indemnify Nektar and its Affiliates pursuant to Section 14.1; (ii) the gross negligence or willful or intentional misconduct of Nektar, its Affiliates or any of its Sublicensees or any of their respective directors, officers, agents, employees or contractors under this Agreement; (iii) a material breach by Nektar of any term of this Agreement; or (iv) a material breach by Nektar of any obligation, representation, warranty or covenant hereunder; or (v) a violation of Applicable Law in the performance of its duties under this Agreement by Nektar, its Affiliates or any of its Sublicensees or their respective directors, officers, agents, employees or contractors, in each case except to the extent caused by (a) the gross negligence or willful intentional misconduct of Bayer, its Affiliates, or Sublicensees, or any of their respective directors, officers, agents, contractors or employees under this Agreement; (b) material breach by Bayer of any term of this Agreement; (c) the material breach by Bayer of any obligation, representation, covenant or warranty hereunder; or (d) any violation of Applicable Law in the performance of its duties under this Agreement by Bayer, its Affiliates, or Sublicensees, or any of their respective directors, officers, agents, contractors or employees.

14.3 Process for Indemnification. A Party's obligation to defend, indemnify and hold harmless the other Party under this Article 14 shall be conditioned upon the following:

(a) A Party seeking indemnification under this Article 14 (the **"Indemnified Party"**) shall give prompt written notice of the claim to the other Party (the **"Indemnifying Party"**).

(b) Each Party shall furnish promptly to the other, copies of all papers and official documents received in respect of any Damages. The Indemnified Party shall cooperate as requested by the Indemnifying Party in the defense against any Damages.

(c) With respect to any Damages relating solely to the payment of money damages and which will not result in the Indemnified Party's becoming subject to injunctive or other relief or otherwise adversely affecting the business of the Indemnified Party in any manner, and as to which the Indemnifying Party shall have acknowledged in writing the obligation to indemnify the Indemnified Party under this Article 14, the Indemnifying Party shall have the sole right to defend, settle or otherwise dispose of such Damages, on such terms as the Indemnifying Party, in its sole discretion, shall deem appropriate.

(d) With respect to Damages relating to all other matters, the Indemnifying Party shall have the sole right to control the defense of such matter, provided that the Indemnifying Party shall obtain the written consent of the Indemnified Party, which consent

shall not be unreasonably withheld or delayed, prior to ceasing to defend, settling or otherwise disposing of any Damages if as a result thereof (i) the Indemnified Party would become subject to injunctive or other equitable relief or any remedy other than the payment of money by the Indemnifying Party or (ii) the business of the Indemnified Party would be adversely affected.

(e) The Indemnifying Party shall not be liable for any settlement or other disposition of Damages by the Indemnified Party which is reached without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed, it being understood that if such consent is withheld, the Indemnifying Party will be responsible for the amount of damages or increased costs and expenses attributable to such failure to give consent.

14.4 Insurance.

(a) During the term of this Agreement and for **[***]** years thereafter, Bayer shall either (i) maintain, at its sole expense, clinical trial and product liability insurance relating to the Product that is comparable in type and amount to the insurance customarily maintained by Bayer with respect to similar prescription pharmaceutical products that are marketed, distributed and sold in the Territory, or (ii) self insure for such risks.

(b) During the term of this Agreement and for **[***]** years thereafter, Nektar shall maintain, at its sole expense, such types and amounts of insurance coverage as is appropriate and customary in the pharmaceutical industry in light of the nature of the activities to be performed by Nektar hereunder.

15. CONFIDENTIALITY

15.1 Confidentiality; Exceptions. For the term of this Agreement and for a period of **[***]** years thereafter, each Party shall maintain in confidence all Information and materials of the other Party disclosed or provided to it by the other Party (either pursuant to this Agreement, or the Confidential Disclosure Agreement entered into by Nektar and Bayer Pharmaceuticals Corporation dated **[***]** (the **"Confidential Disclosure Agreement"**)), to the extent related to Amikacin, and identified as confidential, either in writing or verbally (provided any verbally disclosed Information is reduced to writing and submitted to the other Party within thirty (30) days of such verbal disclosure) (together with all embodiments thereof, the **"Confidential Information"**). Confidential Information also includes, but is not limited to, Information generated hereunder, and Information regarding intellectual property and confidential or proprietary Information of Third Parties. In addition, and notwithstanding the foregoing, if under Article 11 Information constituting inventions and discoveries are to be owned by one Party, such Information shall be deemed to be Confidential Information of such Party, even if such Information is initially generated and disclosed by the other Party. The terms and conditions of this Agreement and the Confidential Disclosure Agreement also shall be deemed Confidential Information of both Parties. Notwithstanding the foregoing, Confidential

Information shall not include that portion of Information or materials that the receiving Party can demonstrate by contemporaneous written records was (i) known to the general public at the time of its disclosure to the receiving Party, or thereafter became generally known to the general public, other than as a result of actions or omissions of the receiving Party or anyone to whom the receiving Party disclosed such Information; (ii) known by the receiving Party prior to the date of disclosure by the disclosing Party; (iii) disclosed to the receiving Party on an unrestricted basis from a source unrelated to the disclosing Party and not under a duty of confidentiality to the disclosing Party; or (iv) independently developed by the receiving Party by personnel that did not have access to or use of Confidential Information of the disclosing Party.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or known to the general public or in the rightful possession of the receiving Party unless the combination itself and principle of operation thereof are published or known to the general public or are in the rightful possession of the receiving Party.

15.2 Degree of Care; Permitted Use. Each Party shall take reasonable steps to maintain the confidentiality of the Confidential Information of the other Party, which steps shall be no less protective than those steps that such Party takes to protect its own Information and materials of a similar nature, but in no event less than a reasonable degree of care. Neither Party shall use or permit the use of any Confidential Information of the other Party except for the purposes of carrying out its obligations or exercising its rights under this Agreement or the Confidential Disclosure Agreement, and neither Party shall copy any Confidential Information of the other Party except as may be reasonably useful or necessary for such purposes. All Confidential Information of a Party, including without limitation all copies and derivations thereof, is and shall remain the sole and exclusive property of the disclosing Party and subject to the restrictions provided for herein. Neither Party shall disclose any Confidential Information of the other Party other than to those of its directors, officers, Affiliates, employees, licensors, independent contractors, Sublicensees, assignees, agents and external advisors directly concerned with the carrying out of this Agreement, on a strictly applied “need to know” basis; provided, however, that such directors, officers, Affiliates, employees, licensors, independent contractors, Sublicensees, assignees, agents and external advisors are subject to confidentiality and non-use obligations at least as stringent as the confidentiality and non-use obligations provided for in this Article 15. Except to the extent expressly permitted under this Agreement, the receiving Party may not use Confidential Information of the other Party in applying for Patents or securing other intellectual property rights without first consulting with, and obtaining the written approval of, the other Party (which approval shall not be unreasonably withheld or delayed).

15.3 Permitted Disclosures. The obligations of Sections 15.1, 15.2, and 16.1 shall not apply to the extent that the receiving Party is required to disclose Information pursuant to (a) an order of a court of competent jurisdiction, (b) Applicable Laws, (c) regulations or rules of a securities exchange, (d) requirement of a governmental agency for purposes of obtaining approval to test or market the Product, (e) disclosure of Information to a Patent office for the

purposes of filing a Patent Application as permitted in this Agreement, or (f) the exercise by each Party of its rights granted to it under this Agreement or its retained rights, including, without limitation, the Exploitation of the Product, and such Third Party agrees to confidentiality and non-use obligations at least as stringent as those specified for in this Article 15; provided that the receiving Party shall provide prior written notice thereof to the disclosing Party and sufficient opportunity for the disclosing Party to review and comment on such required disclosure and request confidential treatment thereof or a protective order therefor.

15.4 Irreparable Injury. The Parties acknowledge that either Party's breach of this Article 15 would cause the other Party irreparable injury for which it would not have an adequate remedy at law. In the event of a breach, the nonbreaching Party may seek injunctive relief, whether preliminary or permanent, in addition to any other remedies it may have at law or in equity, without necessity of posting a bond.

15.5 Return of Confidential Information. Each Party shall return or destroy, at the other Party's instruction, all Confidential Information of the other Party in its possession upon termination or expiration of this Agreement, except any Confidential Information that is necessary to allow such Party to perform or enjoy any of its rights or obligations that expressly survive the termination or expiration of this Agreement.

16. Publicity

16.1 Public Disclosure. The Parties agree that the initial public announcement of the execution of this Agreement shall be in the form of a mutually agreed upon press release that describes the nature and scope of the collaboration including its aggregate value (the **"Initial Public Disclosure"**). In connection with the issuance of such press release, Nektar shall also be permitted to make any filings required under Applicable Law, including without limitation filings with the U.S. Securities and Exchange Commission to report the execution of this Agreement. During the term of this Agreement, in all cases other than the announcement set forth in the Initial Public Disclosure, each Party shall submit to the other Party (the **"Non-Publishing Party"**) for review and approval all proposed press releases, academic, scientific and medical publications and public presentations relating to the Product that have not been previously disclosed. Such review and approval shall be conducted for the purposes of preserving intellectual property protection and determining whether any portion of the proposed publication or presentation containing the Confidential Information of the Non-Publishing Party should be modified or deleted, and (in the case of a disclosure that Nektar wishes to make) to determine whether such disclosure is in the best interests of the Parties in connection with the Development of the Product (such determination to be made in Bayer's reasonable discretion). Written copies of such proposed publications and presentations (other than press releases) shall be submitted to the Non-Publishing Party no later than **[***]** days before submission for publication or presentation; provided that, for general disclosure of program status to investors or analysts, or in public conference or earnings calls (**"General Disclosure"**) such **[***]** day period shall be shortened to **[***]** business days. Subject to Applicable Law, written copies of proposed

press releases shall be submitted to the Non-Publishing Party no later than **[***]** hours before release. The Non-Publishing Party shall provide its comments, if any, and (if it so chooses) its approval within (a) **[***]** business days, in the case of a press release, and (b) **[***]** business days of its receipt of any other written copy. With respect to matters other than press releases, the review period may be extended for an additional **[***]** days, or for General Disclosures **[***]** business days, in the event the Non-Publishing Party can demonstrate reasonable need for such extension, including, without limitation, the preparation and filing of Patent Applications. This period may be further extended by mutual written agreement of the Parties. Nektar and Bayer will each comply with standard academic practice regarding authorship of scientific publications and recognition of contribution of other parties in any publications.

16.2 Statement Regarding Collaboration. Subject to Applicable Law, any Information publicly disclosed by Bayer relating to the Project for widespread public dissemination or release, whether in the form of press releases, technical publications or other public statements regarding the Project, shall include a prominent statement that the Project involves development and commercialization of products for Pulmonary Delivery of Formulated Amikacin using Nektar's proprietary pulmonary delivery technology. Nektar shall not use any Bayer Trademark or any derivation of the Bayer name without the advance express written consent of Bayer, which consent may be granted or withheld in Bayer's sole discretion.

17. TRADEMARKS

17.1 Product Trademark; Use of Nektar Trademark. Subject to Section 7.7, the Product, the Device, Product packaging (including, without limitation, ampoules and vials), promotional materials, package inserts, and labeling shall bear one or more Trademark(s) chosen and owned by Bayer. The Product, the Device, Product packaging (including, without limitation, ampoules and vials), promotional materials, package inserts, and labeling shall also bear the Nektar Trademark as provided in Section 7.7. Nektar grants to Bayer the right to use Nektar's Trademarks solely to the extent necessary for Bayer to exercise its rights and fulfill its obligations set forth in this Agreement. Bayer shall not use any Nektar Trademark outside the scope of this Agreement, and shall not knowingly take any action that would materially adversely affect the value of any Nektar Trademark. Nektar shall retain the right to monitor the quality of the goods on or with which the Nektar Trademark is used solely to the extent necessary to maintain Nektar's Trademark rights.

17.2 Trademark Prosecution and Maintenance. Bayer shall bear the full costs and expense of and be responsible for filing, prosecuting and maintaining any Trademarks owned by Bayer. Nektar shall bear the full costs and expense of and be responsible for filing, prosecuting and maintaining any Trademarks owned by Nektar. The Parties shall jointly select a Product-specific Trademark and shall jointly own such Trademark in the Shared Territory. For jointly filed, Product-specific Trademark(s) in the Shared Territory, all of the cost and expenses incurred by the Parties under this Agreement, including without limitation those incurred in connection with the selection, preparation, filing, prosecution, and maintenance of Trademark(s)

used in Commercialization of the Product, filing and maintenance fees paid to governmental authorities, and the costs of litigation (enforcement or defense) or other proceedings, under such Trademark(s), including without limitation fees and expenses paid to outside counsel (**"Trademark Expenses"**), shall be shared by the Parties as follows: Bayer shall bear **[***]** of such costs and expenses, and Nektar shall bear **[***]** of such costs and expenses. Bayer shall solely own and shall be responsible for filing, prosecuting and maintaining any Product-specific Trademarks in the Royalty Territory and conducting litigation with respect thereto. Bayer shall solely bear all costs and expenses associated with such activities for any Product-specific Trademark in the Royalty Territory.

18. Term and Termination

18.1 Term. The term of this Agreement shall commence as of the Effective Date and, unless sooner terminated as specifically provided in this Agreement, shall continue in effect on a country-by-country basis until the expiration of all royalty and payment obligations in each country in the Territory. Upon expiration of all royalty and payment obligations in each country in the Territory, Bayer shall have a royalty-free, paid-up, non-exclusive license in such country.

18.2 Termination by Bayer.

(a) Bayer shall have the right to terminate the Agreement **[***]** days' prior written notice. If Bayer terminates the Agreement pursuant to this Section 18.2(a), Bayer shall pay to Nektar a termination fee equal to:

(i) [***], if such termination occurs **[***]**; or

(ii) [***], if such termination occurs **[***]**; or

(iii) [***], if such termination occurs **[***]**.

Bayer shall pay such amount to Nektar in immediately available funds within **[***]** days after the effective date of such termination. The foregoing termination payment shall be in lieu of, and in substitution for, any reimbursement of costs, expenses or fees otherwise reimbursable (other than any Milestone Payments accrued but not yet paid) by Bayer to Nektar pursuant to this Agreement or any other payments with respect to activities relating to the Product under this Agreement (but only to the extent the obligation to make such payments has not accrued prior to the effective date of such termination).

(b) Bayer shall have the right to terminate the Agreement, at any time, upon **[***]** days' prior written notice to Nektar in the event (i) of any development that causes the Product to fail to meet or to no longer meet the MACP that is outside of Bayer's reasonable control, or (ii) that Bayer's Global Pharmacovigilance Team (or any successor thereto within Bayer) determines that Development or Commercialization of the Product must be terminated

because of safety issues outside of Bayer's reasonable control (either of (i) or (ii), an **"Unanticipated Development"**). If Bayer terminates the Agreement for an Unanticipated Development, then Bayer and Nektar shall continue to bear their respective share of noncancellable costs and expenses becoming due after the effective date of such termination, to the extent such costs and expenses were set forth in a relevant Plan; provided that the Parties shall use reasonable efforts to minimize expenditures after the effective date of such termination. Upon request by Nektar, Bayer shall provide documentation to support its determination of the occurrence of an Unanticipated Development and meet with Nektar upon request to explain the basis for such determination.

18.3 Termination by Nektar. Nektar shall have the right to terminate the Agreement, at any time, upon **[***]** days' prior written notice to Bayer in the event that Nektar determines that Development or Commercialization of the Product must be terminated **[***]**. If Nektar terminates the Agreement in accordance with the foregoing, then Nektar and Bayer shall continue to bear their respective share of noncancellable costs and expenses becoming due after the effective date of such termination, to the extent such costs and expenses were set forth in a relevant Plan; provided that the Parties shall use reasonable efforts to minimize expenditures after the effective date of such termination. Upon request by Bayer, Nektar shall provide documentation to support its determination and meet with Bayer upon request to explain the basis for such determination.

18.4 Termination for Material Breach. If either Party believes the other is in material breach of a material obligation under this Agreement, it may give notice of such breach to the other Party, which other Party shall have **[***]** days in which to remedy such breach, or **[***]** days in the case of breach (whether material or not) of any payment obligation hereunder. Such **[***]** day period shall be extended in the case of a breach not capable of being remedied in such **[***]** day period so long as the breaching Party uses diligent efforts to remedy such breach and is pursuing a course of action that, if successful, will effect such a remedy. If such alleged breach is not remedied in the time period set forth above, the nonbreaching Party shall be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies available to it by law or in equity, to terminate this Agreement upon written notice to the other Party. In the event of a dispute regarding any payments due and owing hereunder, all undisputed amounts shall be paid when due, and the balance, if any, shall be paid promptly after settlement of the dispute, including without limitation any accrued interest thereon.

18.5 Termination upon Insolvency. Either Party may terminate this Agreement if, at any time, the other Party shall file in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of its assets, or if the other Party proposes a written agreement of composition or extension of its debts, or if the other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within **[***]** days after the filing thereof, or

if the other Party shall propose or be a Party to any dissolution or liquidation, or if the other Party shall make an assignment for the benefit of its creditors.

18.6 Termination by Bayer Pursuant to Section 18.2 or by Nektar Pursuant to Section 18.3 or 18.4. In the event that Bayer terminates this Agreement under Sections 18.2(a) or 18.2(b), or if Nektar terminates this Agreement under Sections 18.3 or 18.4, then, as of the effective date of such termination, the following terms and conditions shall apply:

(a) The license grants in Section 2.1 shall terminate and all rights with respect thereto shall revert in their entirety to Nektar.

(b) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, subject to any Third Party (excluding Agents of Bayer) rights existing at the time of termination and to the extent that technology covered by a Patent Controlled by Bayer or its Affiliates or an Agent of Bayer is incorporated into or is otherwise used in connection with the Product by Bayer during the Development or Commercialization of the Product pursuant to this Agreement, Bayer agrees that neither it nor its Agents will, and Bayer shall cause its Affiliates not to, assert against Nektar, its subsidiaries, Affiliates or sublicensees, any claim, or institute any action or proceeding, whether at law or equity, under any intellectual property rights, including without limitation Patents or Patent Applications, that may prevent Nektar, its Affiliates or sublicensees from making, having made, using, having used, promoting, developing, offering for sale, selling, having sold, importing, having imported, exporting, having exported or marketing the Product as it exists as of the termination date. This covenant shall be binding upon, and inure to the benefit of, the Parties, their successors, and assigns. Nektar's sublicensees for the Product shall be Third Party beneficiaries of this Section 18.6(b).

(c) Bayer shall, without additional consideration, assign to Nektar all of Bayer's right, title and interest in and to (i) the continuation Patent Application **[***]**, and (ii) any Patents or Patent Applications assigned to Bayer under Section 11.3(a)(i). Nektar shall bear, in its sole discretion, the full costs and expense of and be solely responsible for prosecuting, maintaining, enforcing and defending the Nektar Patent Rights and any Patents or Patent Applications assigned to Nektar pursuant to this Section 18.6(c).

(d) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, Bayer shall, without additional consideration, assign to Nektar all of Bayer's right, title and interest in and to any Patent Applications or Patents developed pursuant to and during the course of the Agreement relating solely to **[***]**. Nektar shall bear, in its sole discretion, the full costs and expense of and be solely responsible for prosecuting, maintaining, enforcing and defending the Nektar Patent Rights and any Patents or Patent Applications assigned to Nektar pursuant to this Section 18.6(d).

(e) For prosecution and maintenance of Joint Patent Rights, Section 11.3(a)(iii) shall survive and apply. If neither Party wishes to pursue or maintain any Patents or Patent Applications associated with Joint Patent Rights, then such Patents or Patent Applications shall be allowed to go abandoned.

(f) For Joint Patent Rights (other than those assigned to Nektar pursuant to this Section 18.6), the Parties shall jointly enforce such Patents throughout the Territory and share the costs associated with such enforcement and any recoveries associated therewith as follows: Bayer shall bear or receive **[***]** of such costs or recovery, as applicable, and Nektar shall bear or receive **[***]** of such costs or recovery, as applicable. If one Party chooses not to participate in enforcement of the Joint Patent Rights, the other Party shall have the right to enforce such Patents (provided all of the costs and expenses of both Parties incurred in connection with such enforcement shall be borne by the enforcing Party), including without limitation the right to settle such litigation (subject to the next sentence of this Section 18.6(f)) at its sole expense and to keep all recoveries associated therewith. The joint consent of Bayer and Nektar (which consent shall not be unreasonably withheld or delayed) shall be required of any settlement, consent judgment or other voluntary final disposition of a suit under this Section 18.6(f) that could adversely affect the other Party's interest. If, in any enforcement action taken pursuant to this Section 18.6(f), the enforcing Party determines that the other Party is an indispensable party to such action, the other Party hereby consents to be joined in such action and, in such event, the other Party shall have the right to be represented in such action using counsel of its own choice at the enforcing Party's expense. Notwithstanding the foregoing, each Party's enforcement rights under this Section 18.6(f) shall be subject to limitations imposed in any license agreement with a Third Party existing as of the Effective Date relating to the Patent to be enforced.

(g) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, to the extent they are assignable, Bayer shall execute any documents necessary to transfer Bayer's rights under any Third Party licenses obtained solely or jointly by Bayer pursuant to and during the course of the Agreement under Section 11.4 to Nektar, and Nektar shall thereafter be responsible for all costs, expenses and obligations associated with such Third Party licenses.

(h) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, Bayer shall, without additional consideration, assign to Nektar all of its right, title and interest in and to any Product-specific Trademark filed during the course of and pursuant to the Agreement. Nektar shall bear, in its sole discretion, the full costs and expense of and be solely responsible for prosecuting, maintaining, enforcing and defending any Product-specific Trademark in the Territory after the effective date of termination.

(i) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, upon Nektar's request, Bayer shall transfer to Nektar, and Nektar shall have the right to use, all materials, results, analyses, reports, websites, marketing materials,

technology, know-how, regulatory filings and other Information, reasonably required by Nektar, in whatever form developed, controlled or generated as of the effective date of such termination by or on behalf of Bayer, its Affiliates or Sublicensees with respect to the Product. Bayer agrees to submit to the FDA and other Regulatory Authorities in jurisdictions in which any regulatory filings have been made with respect to the Product, within **[***]** days after the effective date of such termination, a letter (with a copy to Nektar) notifying the FDA and such other Regulatory Authorities of the transfer of any regulatory filings for the Product in such jurisdictions from Bayer to Nektar. Additionally, Bayer will grant to Nektar any rights of reference or access to regulatory filings necessary to practice the rights granted to it under this Section 18.6. All transfers described in this Section 18.6(i) shall be at Bayer's expense.

(j) Unless such termination was by Bayer under Section 18.2(b)(ii) or by Nektar under Section 18.3, if Bayer at the time was supplying Formulated Amikacin, Bayer shall supply Nektar's or its designee's requirements of Formulated Amikacin and, using such Amikacin and the Device supplied by Nektar, Product in final packaged form at commercially reasonable prices until the earlier of Nektar's qualification of alternate supply sources, or **[***]** months after termination.

(k) For any Patents or Patent Applications covering Inventions owned by Bayer under Section 11.2(a)(ii) that are not assigned to Nektar upon termination of this Agreement in accordance with Section 18.6(d), the license granted to Nektar in Section 11.2(a)(ii)(A) shall be expanded to include the entire Territory.

(l) Surviving Rights. Except where expressly provided for otherwise in this Agreement, termination of this Agreement by Nektar pursuant to Section 18.3 or 18.4 or termination of this Agreement by Bayer pursuant to Section 18.2(a) or Section 18.2(b), shall not relieve the Parties of any liability, including without limitation any obligation to make payments hereunder, which accrued hereunder prior to the effective date of such termination, nor preclude any Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement, nor prejudice any Party's right to obtain performance of any obligation. In the event of such termination, the following provisions shall survive in addition to others specified in this Agreement to survive in such event: Sections 8.5—8.10 (solely to the extent applicable to the amounts due and owing to Nektar as of the effective date of such termination).

18.7 Termination by Bayer for Material Breach by Nektar. In the event that Bayer terminates this Agreement under Section 18.4, then as of the effective date of such termination, the following terms and conditions shall apply:

(a) The license grant in Section 11.2(a)(ii)(A) shall terminate and all rights with respect thereto shall revert in their entirety to Bayer, provided that the license set forth in Section 11.2(a)(ii)(B) shall continue in full force and effect.

(b) The license grants in Section 2.1 shall continue. In addition, Bayer shall have a royalty-bearing license pursuant to the terms set forth in Section 18.7(i), under the Nektar Know-How and Nektar Patent Rights, to make and have made the Device solely in connection with Exploitation of the Product in the Field throughout the Territory.

(c) The co-exclusive license in Section 2.1(b)(i) shall become exclusive as of the effective date of such termination.

(d) Nektar shall grant a sublicense to Bayer under any Third Party licenses obtained by Nektar pursuant to and during the course of this Agreement under Section 11.4.

(e) Nektar shall, without additional consideration, assign to Bayer all of Nektar's right, title and interest in and to any Patents or Patent Applications assigned to Nektar under Section 11.3(a)(ii). Bayer shall bear, in its sole discretion, the full costs and expense of and be solely responsible for prosecuting, maintaining, enforcing and defending any Patents or Patent Applications assigned to Bayer pursuant to this Section 18.7(e).

(f) Nektar shall, without additional consideration, assign to Bayer all of its right, title and interest in and to any Product-specific Trademark filed during the course of and pursuant to the Agreement. Bayer shall bear, in its sole discretion, the full costs and expense of and be solely responsible for prosecuting, maintaining, enforcing and defending any Product-specific Trademark in the Territory after the effective date of termination.

(g) Upon Bayer's request, Nektar shall transfer to Bayer, and Bayer shall have the right to use, all materials, results, analyses, reports, websites, marketing materials, technology, know-how, regulatory filings and other Information, reasonably required by Bayer, in whatever form developed, controlled or generated as of the effective date of such termination by or on behalf of Nektar, its Affiliates or Sublicensees with respect to the Product. Additionally, Nektar will grant to Bayer any rights of reference or access to regulatory filings necessary to practice the rights granted to it under this Section 18.7. All transfers described in this Section 18.7(g) shall be at Nektar's expense.

(h) Nektar shall supply Bayer's or its designee's requirements of the Device at commercially reasonable prices until the earlier of Bayer's qualification of alternate supply sources, or **[***]** months after termination.

(i) Bayer shall continue to pay royalties in the Royalty Territory in accordance with Section 8.4(a), (b), (c), (e) and (f) and Sections 8.5-8.10 provided that Bayer shall not be required to make any additional royalty payments under Section 8.4(d). However, Bayer shall continue to pay Milestone Payments under Section 8.3. In addition, Bayer may either:

(x) treat the Shared Territory as the Royalty Territory for purposes of the payments to be made under Section 8.4(a), (b), (c), (e) and (f) and Sections 8.5-8.10 (but not for purposes of Section 8.4(d)), provided that the Net Sales in the Shared Territory shall not be aggregated with Net Sales in the Royalty Territory for purposes of payments to be made under Section 8.4(a), in which case Bayer shall be deemed to have elected its remedy for such breach by Nektar and shall not have the right to pursue other remedies available to it under law or in equity in connection with such breach, or

(y) treat the Shared Territory as the Royalty Territory for purposes of the payments to be made under Section 8.4(a), (b), (c), (e) and (f) and Sections 8.5-8.10 (but not for purposes of Section 8.4(d)), provided that the Net Sales in the Shared Territory shall not be aggregated with Net Sales in the Royalty Territory for purposes of payments to be made under Section 8.4(a), and further provided that the royalty rate applicable to the Shared Territory under Section 8.4(a) shall be fixed at **[***]** of annual Net Sales in the Shared Territory **[***]**, in which case Bayer shall retain the right to pursue other remedies available to it under law or in equity in connection with such breach.

In the case that either clause (x) or (y) of this Section 18.7(i) applies: (A) Nektar would thereafter no longer be obligated to bear any portion of Allowable Expenses and would not be entitled to participate in Product Profit and Loss under Section 8.2(b)(i), (B) Nektar, after the effective date of such termination, shall be solely responsible for the payment of all amounts **[***]** with respect to the Territory, and (C) all of the Parties' payment obligations, other than those relating to Product Profit and Loss and Allowable Expenses, as set forth in this Agreement will continue to apply. For clarity, milestone payments payable by Bayer to Nektar pursuant to Section 8.4(d) shall not accrue based on sales of the Product in the Shared Territory.

(j) To the extent that technology covered by a Patent Controlled by an Agent of Nektar is incorporated into or is otherwise used in connection with the Product by Nektar during the Development or Commercialization of the Product pursuant to this Agreement, Nektar agrees that its Agents will not assert against Bayer, its subsidiaries, Affiliates or sublicensees, any claim, or institute any action or proceeding, whether at law or equity, under any intellectual property rights, including without limitation Patents or Patent Applications, that may prevent Bayer, its Affiliates or sublicensees from making, having made, using, having used, promoting, developing, offering for sale, selling, having sold, importing, having imported, exporting, having exported or marketing the Product as it exists as of the termination date. This covenant shall be binding upon, and inure to the benefit of, the Parties, their successors, and assigns. Bayer's sublicensees for the Product shall be Third Party beneficiaries of this Section 18.7(j).

(k) Surviving Rights. Except where expressly provided for otherwise in this Agreement, termination of this Agreement pursuant to Section 18.4 for Nektar's breach shall not relieve the Parties of any liability, including without limitation any obligation to make payments hereunder, which accrued hereunder prior to the effective date of such termination, nor

preclude any Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement, nor prejudice any Party's right to obtain performance of any obligation. In the event of such termination, the following provisions shall survive in addition to others specified in this Agreement to survive in such event: Sections 2.1—2.5 (subject to Sections 18.7(b) and (c)), 5.2(c), 5.8, 8.3, 8.4(a)—(c) and 8.4(e) and (f), 8.5-8.10, 11.3(a) (subject to Section 18.7(e)), 11.5, and 17.1 (first two sentences only).

18.8 General Surviving Obligations. The rights and obligations set forth in this Agreement shall extend beyond the expiration or termination of the Agreement only to the extent expressly provided for herein, or to the extent that the survival of such rights or obligations are necessary to permit their complete fulfillment or discharge. Without limiting the foregoing, the Parties have identified various rights and obligations which are understood to survive, as follows. In the event of expiration or termination of this Agreement for any reason, the following provisions shall survive in addition to others specified in this Agreement to survive in such event. Termination of this Agreement shall not terminate Bayer's obligation to pay all Milestone Payments, royalties and other payments which shall have accrued hereunder (including without limitation any Milestone Payments then accrued because the event has occurred but the Milestone Payment is not yet due). Additionally, the rights and obligations of the Parties under Sections 10.2—10.3 (for the period set forth in Section 10.4), 11.1 (first sentence only), 11.2 (subject to Sections 18.6 and 18.7), 13.1 (for the period set forth therein), 14.1—14.3, 14.4 (for the period set forth therein), and Articles 1, 15 (for the period set forth therein), 18 (as applicable), 19, and 20, and payment obligations for rights accrued under Article 11 (subject to Sections 18.6(c)-18.6(h)) as of the effective date of expiration or termination date shall survive the termination or expiration of this Agreement.

18.9 Challenge.

(a) Nektar shall have the right to terminate this Agreement immediately upon written notice if Bayer or its Affiliate challenges in a court of competent jurisdiction, the validity, scope or enforceability of, or otherwise opposes, any Patent included in the Nektar Patent Rights, **[***]**. If a Sublicensee of Bayer or its Affiliate challenges the validity, scope or enforceability of or otherwise opposes any Patent included in the Nektar Patent Rights under which such Sublicensee is sublicensed, then Bayer or its Affiliate, as applicable, shall, upon written notice from Nektar, terminate such sublicense. Bayer and its Affiliates shall include provisions in all agreements under which a Third Party obtains a license under any Patent included in the Nektar Patent Rights providing that, if the Sublicensee challenges the validity or enforceability of or otherwise opposes any such Patent under which the Sublicensee is sublicensed, then Bayer may terminate such sublicense agreement with such Sublicensee, and Bayer shall, upon request by Nektar, enforce such right if such Sublicensee breaches such restriction.

(b) Bayer shall have the right to terminate this Agreement immediately upon written notice if Nektar or its Affiliate challenges in a court of competent

jurisdiction, the validity, scope or enforceability of or otherwise opposes any Patent licensed to Nektar under Section 11.2(a)(ii). If a Sublicensee of Nektar or its Affiliate challenges the validity, scope or enforceability of, or otherwise opposes, any Patent licensed to Nektar under Section 11.2(a)(ii) under which such Sublicensee is sublicensed, then Nektar or its Affiliate, as applicable, shall, upon written notice from Bayer, terminate such sublicense. Nektar and its Affiliates shall include provisions in all agreements under which a Third Party obtains a license under any Patent licensed to Nektar under Section 11.2(a)(ii) providing that if the sublicensee challenges the validity or enforceability of or otherwise oppose any such Patent under which the sublicensee is sublicensed, Nektar or its Affiliate, as applicable, may terminate its sublicense agreement with such sublicensee, and Nektar shall, upon request by Bayer, enforce such right if such sublicensee breaches such restriction.

18.10 Accrued Rights, Surviving Obligations. Termination or expiration of this Agreement shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of the Agreement. Except as otherwise provided for in this Agreement, termination by a Party shall not be an exclusive remedy, and all other remedies will be available to the terminating Party, in equity and at law.

18.11 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Nektar or Bayer are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the United States 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 United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the United States Bankruptcy Code, the Party that is not a party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under clause (a) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

19. LIMITATION OF LIABILITY AND EXCLUSION OF DAMAGES; DISCLAIMER OF WARRANTY

19.1 EXCEPT IN THE CASE OF A BREACH OF ARTICLE 15, AND WITHOUT LIMITING THE PARTIES' OBLIGATIONS UNDER ARTICLE 14, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION, DAMAGES RESULTING FROM LOSS OF USE, LOSS OF PROFITS,

INTERRUPTION OR LOSS OF BUSINESS OR OTHER ECONOMIC LOSS) ARISING OUT OF THIS AGREEMENT OR WITH RESPECT TO A PARTY'S PERFORMANCE OR NON-PERFORMANCE HEREUNDER.

19.2 EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY PROVIDES ANY WARRANTIES, WHETHER WRITTEN OR ORAL, EXPRESS OR IMPLIED, REGARDING THE PRODUCT, FORMULATED AMIKACIN OR THE DEVICE USED IN PRECLINICAL STUDIES OR CLINICAL TRIALS OR FOR COMMERCIAL USE, AND EACH PARTY HEREBY DISCLAIMS ALL OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, EXPRESS AND IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND FREEDOM FROM INFRINGEMENT OF THIRD PARTY RIGHTS.

20. Miscellaneous

20.1 Agency. Neither Party is, nor shall be deemed to be, an employee, agent, co-venturer or legal representative of the other Party for any purpose. Neither Party shall be entitled to enter into any contracts in the name of, or on behalf of the other Party, nor shall either Party be entitled to pledge the credit of the other Party in any way or hold itself out as having the authority to do so.

20.2 Assignment; Change of Control.

(a) Except as otherwise provided in this Agreement, neither this Agreement nor any interest hereunder shall be assignable by any Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed following the conclusion of the Project); provided, however, (i) the assignment of this Agreement by operation of law pursuant to a merger or consolidation of either Party with or into any Third Party shall, regardless of the identity of the surviving entity to such merger or consolidation, not be deemed an assignment in violation of this Section 20.2, (ii) either Party, without such consent, may assign its rights and delegate its duties hereunder to an Affiliate thereof without obtaining such consent, provided that the assigning Party agrees to remain primarily (and not secondarily or derivatively) liable for the full and timely performance by such Affiliate of all its obligations hereunder, and (iii) either Party, without such consent, may assign its rights and delegate its duties hereunder to a successor entity or acquirer, provided that the assigning Party agrees to remain primarily (and not secondarily or derivatively) liable for the full and timely performance by such assignee of all its obligations hereunder.

(b) If Nektar undergoes a Change of Control, Bayer shall have the right, exercisable within **[***]** days of its receipt of notice from Nektar of such Change of Control to do any or all of the following, (i) to terminate Nektar's co-promotion rights under Section 7.3, 7.4 and 7.8, (ii) to treat the Shared Territory as the Royalty Territory for purposes of

the payments to be made under Section 8.4(a), (b), (c), (e) and (f) and Sections 8.5-8.10 (but not for purposes of Section 8.4(d)) under this Agreement, provided that the Net Sales in the Shared Territory shall not be aggregated with Net Sales in the Royalty Territory for purposes of payments to made under Section 8.4(a)), and further provided that the royalty rate applicable to the Shared Territory under Section 8.4(a) shall be fixed at **[***]** of annual Net Sales in the Shared Territory **[***]** (a **"Royalty Conversion"**), and/or (iii) to terminate Nektar's participation in the GPT, GBT, and RBU in which case the Parties shall form new committees to govern the Commercialization and Development, respectively, of the Product, each of which committees has equal representation by each of Bayer and Nektar and which shall operate as set forth in Sections 3.4(c), 3.5(c), and 3.6(c), respectively, with such newly formed committees having the responsibilities formerly held by the GPT, GBT, and RBU, respectively. If Bayer elects a Royalty Conversion, Nektar would thereafter no longer be obligated to bear any portion of Allowable Expenses and would not be entitled to participate in Product Profit and Loss under Section 8.2(b)(i). In such event, (A) Nektar shall thereafter be solely responsible for the payment of all amounts **[***]** with respect to the Territory, and (B) all of the Parties' payment obligations, other than those relating to Product Profit and Loss and Allowable Expenses, as set forth in this Agreement will continue to apply. For clarity, milestone payments payable to Nektar pursuant to Section 8.4(d) shall not accrue based on sales in the Shared Territory.

(c) This Agreement shall be binding upon and inure to the successors and permitted assignees of the Parties and the name of a Party appearing herein shall be deemed to include the names of such Party's successor's and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment not in accordance with this Section 20.2 shall be void.

20.3 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

20.4 Force Majeure. Neither Party shall be liable or responsible to the other Party for loss or damages, nor shall it have any right to terminate this Agreement for any default or delay attributable to any event beyond its reasonable control and without its fault or negligence, including but not limited to acts of God, acts of government (including injunctions), fire, flood, earthquake, strike, lockout, labor dispute, breakdown of plant, shortage of critical equipment, loss or unavailability of manufacturing facilities or material, casualty or accident, civil commotion, acts of public enemies, acts or terrorism or threat of terrorist acts, blockage or embargo and the like (a **"Force Majeure Event"**); provided, however, that in each such case the Party affected shall use reasonable efforts to avoid such occurrence and to remedy it promptly. The Party affected shall give prompt notice of any such cause to the other Party. The Party giving such notice shall thereupon be excused from such of its obligations hereunder as it is thereby disabled from performing for so long as it is so disabled and for **[***]** days thereafter and the Party receiving notice shall be similarly excused from its respective obligations which it is thereby disabled from performing; provided, however, that such affected Party commences

and continues to take reasonable and diligent actions to cure such cause. Notwithstanding the foregoing, nothing in this Section 20.4 shall excuse or suspend the obligation to make any payment due hereunder in the manner and at the time provided.

20.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

If to Bayer, addressed to:	Bayer Healthcare LLC 555 White Plains Road Tarrytown, New York 01591 Attn: **[***]** [***] Facsimile: [***]
	With copy to: Bayer Healthcare AG D-51368 Leverkusen, Germany Attn: [***] Facsimile: [***]
If to Aerogen, addressed to:	Aerogen, Inc. 150 Industrial Road San Carlos, CA U.S.A. 94070 Attention: Chief Executive Officer
	With copy to: Aerogen, Inc. 150 Industrial Road San Carlos, CA U.S.A. 94070 Attention: Vice President, Corporate Legal
If to Nektar, addressed to:	Nektar Therapeutics

150 Industrial Road
San Carlos, CA U.S.A. 94070
Attention: Chief Executive Officer

With copy to:

Nektar Therapeutics
150 Industrial Road
San Carlos, CA U.S.A. 94070
Attention: Vice President, Corporate Legal

20.6 Amendment. No amendment, modification or supplement of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

20.7 Waiver. No provision of this Agreement shall be waived by any act, omission or knowledge of a Party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party.

20.8 Counterparts. This Agreement may be executed simultaneously in two counterparts, either one of which need not contain the signature of more than one Party but both such counterparts taken together shall constitute one and the same agreement.

20.9 Construction. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement. Except where the context otherwise requires, wherever used the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders. The terms “including” and “inclusive of” shall mean “including without limitation.” The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto.

20.10 Governing Law. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of New York, U.S.A. without regard to its or any other jurisdiction’s choice of law rules. Any disputes under this Agreement shall be brought in the state or federal courts located in the State of New York, U.S.A. The Parties irrevocably accept the exclusive jurisdiction of such courts solely and specifically for the purpose of adjudicating disputes arising out of or in connection with this Agreement and any other agreement entered into pursuant hereto or in connection herewith (including without limitation matters regarding the construction, interpretation and enforceability of such agreements), and in no event shall any Party be deemed to have consented to such jurisdiction for any other purpose. Each Party further agrees that such courts provide a convenient forum for any such action, and waives any objections or challenges to venue with respect to such courts.

20.11 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement. In the event of such invalidity, the Parties shall seek to agree on an alternative enforceable provision that preserves the original purpose of this Agreement.

20.12 Compliance with Applicable Law. Each Party will comply with all Applicable Law in performing its obligations and exercising its rights hereunder. Nothing in this Agreement shall be deemed to permit Bayer to export, re-export or otherwise transfer any Information transferred hereunder or Product manufactured therefrom without complying with Applicable Law.

20.13 Entire Agreement of the Parties. This Agreement and the Exhibits attached hereto, and any other agreements between the Parties effective as of the Effective Date relating to the subject matter hereof, constitute and contain the complete, final and exclusive understanding and agreement of the Parties hereto, and cancel and supersede any and all prior negotiations, correspondence, understandings and agreements, whether oral or written, between the Parties respecting the subject matter hereof (including the Confidential Disclosure Agreement to the extent it relates to Amikacin but not to the extent it relates to any other subject matter disclosed thereunder), and neither Party shall be liable or bound to any other Party in any manner by any representations, warranties, covenants, or agreements except as specifically set forth herein or therein. Nothing in this Agreement, express or implied, is intended to confer upon any Party, other than the Parties hereto and their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided herein. To the extent that anything set forth in an exhibit attached hereto conflicts with the terms of this Agreement, the terms of this Agreement shall control.

20.14 Performance by Affiliates.

(a) Nektar recognizes that Bayer may perform some or all of its obligations under this Agreement through Affiliates, including the performance by Bayer-Schering Pharma AG or Bayer Healthcare AG of Bayer's obligations arising in or to be performed in the Shared Territory, provided, however, that Bayer shall remain responsible for the performance by its Affiliates and shall use Commercially Reasonable Efforts to cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

(b) Bayer recognizes that Nektar may perform some or all of its obligations under this Agreement through Affiliates, provided, however, that Nektar shall remain responsible for the performance of its Affiliates and shall use Commercially Reasonable Efforts to cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

20.15 Certain Additional Obligations. Any capitalized terms not defined in this Agreement and used in this Section 20.15 shall have the meaning ascribed to them in the **[***]**.

(a) Subject to **[***]**, Bayer acknowledges **[***]** as that interest appears.

(b) Bayer acknowledges **[***]**'s disclaimer of warranty in **[***]** and the limitation on **[***]**'s liability in **[***]**.

(c) Bayer agrees not to make any statements, representations or warranties whatsoever to any person or entity, or accept any liabilities or responsibilities whatsoever from any person or entity that are inconsistent with the disclaimers or limitations in **[***]**.

(d) Bayer shall also indemnify, defend and hold harmless **[***]**.

(e) For purposes of **[***]**, Bayer self-insures.

(f) Bayer agrees to refrain from using the name of **[***]** or any adaptation thereof in publicity or advertising without the **[***]**'s prior written approval.

(g) Nektar shall have the right to assign its rights, solely with respect to the license granted by **[***]** to Nektar under **[***]**, to **[***]** in the event **[***]**.

(h) Nektar agrees not to amend the **[***]** in any manner that would materially adversely affect the rights of Bayer under the **[***]**.

(i) Nektar represents that the **[***]** has been achieved.

(j) Nektar agrees not to materially breach its obligations to **[***]**.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date by their duly authorized representatives as set forth below:

BAYER HEALTHCARE LLC

By: _____

Name: **[***]**

NEKTAR THERAPEUTICS

By: _____

Name: **[***]**

AEROGEN, INC.

By: _____

Name: **[***]**

*****Text omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

AMENDMENT NO. 1 TO CO-DEVELOPMENT, LICENSE AND CO-PROMOTION AGREEMENT

This Amendment No. 1 (the "Amendment") to that certain Co-Development, License and Co-Promotion Agreement dated August 1, 2007 (the "Agreement") is made and entered into effective as of December 22, 2010 (the "Effective Date of the Amendment"), by and between Nektar Therapeutics, a Delaware corporation ("Nektar") and Bayer HealthCare LLC, a Delaware corporation ("Bayer").

RECITALS

WHEREAS, Bayer, Nektar and Aerogen, Inc. ("Aerogen") were the original Parties to the Agreement;

WHEREAS, by Certificate of Dissolution filed on December 2, 2010, Aerogen was dissolved, with Nektar undertaking all of the obligations and duties of Aerogen pursuant to the Agreement, and having all of the rights of Aerogen pursuant to the Agreement, such that Aerogen is no longer a Party to the Agreement;

WHEREAS, by notice to Bayer dated November 24, 2008, Nektar exercised its right pursuant to Section 8.2(b)(ii) of the Agreement to opt out of sharing Product Profit and Loss; and

WHEREAS, the Parties have agreed to amend certain provisions of the Agreement as provided in this Amendment;

NOW, THEREFORE, in consideration of the foregoing, the covenants and promises contained in this Amendment and other good and valid consideration, the receipt and sufficiency of which all Parties acknowledge, and in accordance with and subject to the terms and conditions specified below, the Parties agree as follows:

Amendment of the Agreement

The Parties hereby agree to amend the Agreement as of the Effective Date of the Amendment as provided below. Capitalized terms used in this Amendment that are not otherwise defined herein shall have the meanings provided in the Agreement.

1. All references to "the Agreement" contained in any Section or subsection of the Agreement shall mean "the Agreement as amended by this Amendment No. 1."
2. In recognition of the dissolution of Aerogen, with Nektar undertaking all of the obligations and duties of Aerogen pursuant to the Agreement, except as set forth in (a) Section 8.3(i), with respect to the reference to "Aerogen assets"; and (b) Section

8.4(f)(ii), with respect to the reference to "any third party Licensed by Aerogen under the agreement attached in Exhibit 1.24", all references in the Agreement to both "Nektar" and "Aerogen" shall be deleted and replaced with references solely to Nektar, and all references in the Agreement to "Aerogen" without reference to "Nektar" shall be deleted and replaced by references to "Nektar."

3. The Parties agree that (a) the definition of the term "Shared Territory" in Section 1.107 is hereby deleted in its entirety and replaced by the following: "**1.107 — Reserved.**"; and (b) all references in the Agreement to the term "Shared Territory" shall be replaced by references to the term "United States."

4. The Parties agree to delete from the Agreement all references in the Agreement to the following committees, wherever such references appear in the Agreement: the Global Brand Team, or GBT; the Joint Finance Committee, or JFC; and the Regional Business Unit, or RBU (all hereinafter referred to as the "Deleted Committees"). Such deletions to the Agreement shall include, without limitation, the following Sections in their entirety: (a) Section 1.47 ("Global Brand Team" or "GBT"), Section 1.63 ("Joint Finance Committee" or "JFC"), and Section 1.102 ("Regional Business Unit" or "RBU"); and all such deleted Sections shall be replaced with the word "Reserved;" and (b) Section 3.3 ("Global Brand Team"), Section 3.5 ("Joint Finance Committee"), and Section 3.6 ("Regional Business Unit"); and the heading of each such deleted Section shall be replaced with the word "Reserved." To the extent that any ministerial act is assigned in the Agreement to any such Deleted Committee, and the continued performance of the Parties under the Agreement require that such ministerial act be performed to carry out the intent of the Parties under the Agreement, then such ministerial act shall be performed by the JSC, or as directed by the JSC, in each case as shall be determined by the JSC.

5. The Parties agree to delete from the Agreement all references to Nektar supplying Bayer with Formulated Amikacin or Product; provided, however, that all references to Nektar supplying Bayer with the Device shall continue to apply.

6. Section 1.45 is hereby deleted in its entirety and replaced by the following:

"Fully Burdened Manufacturing Costs" means, as applicable to the Device manufactured by Nektar or its Third Party supplier, Nektar's or its Affiliate's cost of manufacturing such Device for Development or Commercial purposes, which is equal to the sum of (a) for the Device, (or components thereof) made by Nektar, the costs of [***], in each case for the manufacture of the Device (or components thereof), and (b) for the Device (or components thereof) made by Nektar's Third Party supplier, [***]. If Bayer provides its consent to the costs of Nektar's Third Party supplier, then Bayer shall be deemed to have agreed that the costs of such supplier meet the standard of Competitive Pricing. For clarity, Fully Burdened Manufacturing Cost shall not include [***]. Fully Burdened Manufacturing Cost shall be calculated in a manner consistent with GAAP, consistently applied."

7. The following new Section 1.115 is added to the Agreement:

1.115 "United States" means the United States of America, and its commonwealths and territories, including without limitation the Commonwealth of Puerto Rico.

8. Section 2.5 is hereby amended by adding the following Section 2.5.1 and Section 2.5.2 at the end of the existing Section 2.5:

"**2.5.1** [***]

2.5.2 [***]"

9. Section 3.2(a) is hereby deleted in its entirety and replaced by the following:

(k) Composition. Each Party shall appoint two (2) of its senior employees to serve on the JSC, one of which shall be a senior representative of its finance department (or equivalent). As of the Effective Date of the Amendment, Bayer's JSC representatives are [***] and [***], and Nektar's JSC representatives are [***] and [***]. The current JSC chairperson is [***]. Bayer shall have the right to appoint the chairperson of the JSC during the term of this Agreement. In addition to its two (2) appointed JSC members, (a) each Party shall designate an alliance manager (or equivalent) to attend and participate in meetings of the JSC, and shall promptly notify the other Party of the name and title of its alliance manager representative; and (b) when commercial issues are included on the agenda for any JSC meeting, each Party shall have the right to designate a representative of its marketing department (or equivalent) to attend and participate in such JSC meeting. If either Party intends to have discussions at any JSC meeting requiring additional subject matter experts from either Party to attend such JSC meeting, then it shall notify the other Party in writing reasonably in advance of the meeting of the name and title of each such attendee. Each Party may replace its JSC representatives and alliance manager designee by written notice to the other Party.

10. Section 8.3 is hereby deleted in its entirety and replaced by the following:

"8.3 Milestone Payments. Bayer shall make the following non-refundable, non-creditable Milestone Payments (the **"Milestone Payments"**) to Nektar, with respect to the Product, within [***] after achievement of the relevant milestone for the Product. The milestones in this Section 8.3 are cumulative, such that under no circumstances is any single Milestone Payment to be deemed in lieu of, or to be substituted for, another Milestone Payment. For clarity, each milestone in this Section 8.3 is payable by Bayer to Nektar only once with respect to the achievement of any milestone under this Agreement.

Milestone Event	Payment (millions of Dollars)
(i) Effective Date (reimbursement by Bayer [***] Aerogen [***] (Nektar acknowledges that milestone (i) was previously paid by Bayer, and that Bayer's obligations with respect to milestone (i) have been fulfilled)	$ 50
(ii) [***] (Nektar acknowledges that milestone (ii) was previously paid by Bayer, and that Bayer's obligations with respect to milestone (ii) have been fulfilled.)	$ 10*
(iii) [***]	[***]
(iv) [***]	[***]
(v) [***]	[***]
(vi) [***]	[***]
(vii) [***]	[***]

*This milestone payment shall be used by Nektar to reimburse Bayer's Development Costs of conducting any Phase III Clinical Trial in the Territory. Bayer shall invoice Nektar for this $10 million upon the later to occur of the following: (a) dosing of the first patient in the first Phase III Clinical Trial conducted by or for Bayer; and (b) payment of milestone (iii) to Nektar by Bayer. Bayer shall provide Nektar with documentation reasonably acceptable to Nektar evidencing dosing of such first Phase III patient, and Nektar shall have the right to reasonably verify such dosing. Nektar shall pay such invoiced amount within [***] after its receipt of an invoice from Bayer.

11. Section 8.4(a) is hereby deleted and in its entirety is replaced by the following:

a. **Royalties in the Royalty Territory.**

(i) In addition to any amounts due to Nektar under Sections 8.1, 8.2 and 8.3, and subject to the other provisions of this Section 8.4 and the terms and conditions of this Agreement, in consideration for the grant of the license under the Nektar Patent Rights and Nektar Know-How to Bayer under Section 2.1(a), Bayer shall pay Nektar non-refundable and non-creditable incremental royalties in the Royalty Territory based on the aggregate annual Net Sales of all Product sold in all countries in the Royalty Territory in a calendar quarter to Third Parties by or on behalf of Bayer, its Affiliates or Sublicensees, in which, and for so long as, the Product or the manufacture, use, sale, offer for sale, or importation of the Product would infringe a Valid Claim or constitute a misappropriation of the Nektar Know-How in such country in the absence of such license, according to the following royalty rates (for the purposes hereof, "annual" means any complete calendar year period beginning on January 1 and ending on December 31):

Annual Royalty Rate	Annual Net Sales in the Royalty Territory (millions of Dollars)
14% of the amount between	$[***]
[***] of the amount between	>$[***]
[***] of the amount between	>$[***]
[***] of the amount between	>$[***]
30% of the amount	>$[***]

Exhibit 8.4(a) contains an example of the royalty calculation methodology applicable to Net Sales of the Product under Section 8.4(a). Exhibit 8.4(a) in the form originally attached to the Agreement as of the Effective Date is hereby deleted and in its entirety replaced by Exhibit 8.4(a) in the form attached to this Amendment.

12. Section 8.4(d) is hereby deleted and in its entirety replaced by the following:

(d) Additional Royalty Payments. The following one-time additional royalty payments will also be paid by Bayer to Nektar within [***] after the delivery of the report under Section 8.5 demonstrating the first occurrence of each of the following events:

Event	Payment (millions of Dollars)
First time that Net Sales in the Royalty Territory in a calendar year [***]	$ [***]
First time that Net Sales in the Royalty Territory in a calendar year [***]	$ [***]
First time that Net Sales in the Royalty Territory in a calendar year [***]	$ [***]
First time that Net Sales in the Royalty Territory in a calendar year [***]	$ [***]
First time that Net Sales in the Royalty Territory in a calendar year [***]	$ [***]

All of the additional royalty payments made under this Section 8.4(d) are non-refundable and non-creditable, and each such payment is payable only once.

13. Article 8 of the Agreement is hereby amended by adding the following new Section 8.11 at the end of the present Article 8:

8.11 [***]**.**

14. Section 9.1(b) is hereby deleted and entirely replaced by the following:

(l) Commercial Manufacturing and Supply. In connection with any Manufacturing and Supply Agreement entered into pursuant to this Agreement, Bayer shall provide Formulated Amikacin for commercial supply of the Product and shall be responsible for final packaging of Formulated Amikacin with the Device. Nektar shall supply the Device for use in the Manufacture of commercial supplies of the Product to Bayer, at a price (a) for the United States equal to Nektar's Fully Burdened Manufacturing Cost without any mark-up; and (b) for the Royalty Territory equal to Nektar's Fully Burdened Manufacturing Cost therefor plus the mark-up (the "Mark-Up") set forth in Table 9.1(b) below; provided, however, that, in the United States as well as in the Royalty Territory, the price shall not exceed [***] (the "Cap") for the remaining time in the calendar year in which the Commercial Launch took place, and in each calendar year thereafter (each a "Calendar Year"). Subject to a potential adjustment pursuant to Section 9.1(b)(e) below, the Cap for the respective Calendar Year is either (i) [***] or (ii) [***], whichever is lower. (For clarity, the Parties recognize and intend that the first Calendar Year may be of short duration, such as only a few days or months, depending on the date of the Commercial Launch.)

In the Manufacturing and Supply Agreement, the Parties shall include provisions addressing all of the following:

(a) the Device cost in the United States shall be equal to (i) Nektar's Fully Burdened Manufacturing Costs or (ii) the applicable [***] for the respective Calendar Year, whichever is lower;

(b) in the Royalty Territory, if the Fully Burdened Manufacturing Costs are lower than the High COGs set out in the table attached hereto as Exhibit 9.1(b), the Mark-up to be payable by Bayer to Nektar in addition to the Fully Burdened Manufacturing Costs shall be [***] dependent on [***] (the "Device Mark-Up Thresholds"). If the Fully Burdened Manufacturing Costs are higher than [***], the Mark-up to be payable by Bayer to Nektar in the Royalty Territory in addition to the Fully Burdened Manufacturing Costs shall be limited [***]. If the Fully Burdened Manufacturing Costs exceed [***] for the respective Calendar Year, [***] applies. For the avoidance of doubt, it is set forth herein that in no event shall the price per Device including Fully Burdened Manufacturing Costs and Mark-up exceed the applicable [***] for the respective Calendar Year.

(c) commencing with the first Calendar Year and any Calendar Year thereafter, the procedure for applying [***] applicable to Bayer's cost for each Device purchased by Bayer during such

Calendar Year, for either the United States or the Royalty Territory, shall be as follows: if in any Calendar Year Nektar's actual Fully Burdened Manufacturing Costs plus Mark-Up (as applicable) [***], then Nektar shall invoice Bayer for the Devices sold to Bayer during such Calendar Year based on Nektar's Fully Burdened Manufacturing Cost plus Mark-Up (as applicable) without regard for [***], and Bayer shall pay Nektar's invoices and such payments shall be non-refundable, *provided* that for any portion of Nektar's invoiced price that [***] for the applicable Calendar Year, Bayer shall be entitled to [***];

(d) providing for a [***] to the unit price for each Device to be charged by Nektar based on Bayer's binding forecast for [***];

(e) providing for an [***] based on the change in sum of [***] and any other significant uncontrollable costs to Nektar in supplying the Device, [***]; and

(f) application of [***] in a manner that ensures Nektar will be able to recognize revenues from the sale of Devices to Bayer during Nektar's fiscal year.

Further details necessary for the efficient supply of the Devices by Nektar and purchase by Bayer also will be included in the Manufacturing and Supply Agreement.

Table 9.1(b)*

Nektar's Fully-Burdened Manufacturing Cost Per Device (determined on a Calendar Year basis)	Mark-Up Payable to Nektar if COGS are lower than High COGS (subject to the Cap)
Greater than or equal to $[***]	[***]
Greater than or equal to $[***] but less than $[***]	[***] mark-up on total COGS
Greater than or equal to $[***] but less than $[***]	[***] mark up on total COGS
Less than $[***]	[***] mark-up on total COGS

* As used in Table 9.1(b), the following terms have the following meanings: (i) "COGS" means Nektar's Fully Burdened Manufacturing Cost for the Device; (ii) "High COGS" means that for the applicable Calendar Year COGs equals or exceeds Nektar's high COGS estimate in the Forecast; and (iii) "Forecast" means that certain Nektar forecast attached hereto as Exhibit 9.1(b).

15. Article 14 is hereby amended by adding the following Section 14.5 at the end of the existing Article 14:

14.5 Mutual Releases and Covenants.

(a) With respect to the obligations, duties and responsibilities imposed, directly or indirectly, by this Agreement on Bayer, Nektar, on behalf of itself and its

Affiliates, hereby fully, finally and forever releases, acquits, and discharges any and all claims, actions, causes of action, suits, liabilities, damages, losses, and demands whatsoever in law and equity, whether presently known or unknown, accrued or not accrued, foreseen or unforeseen, matured or not matured, which Nektar and/or its Affiliates ever had, now have or hereafter can, shall or may have against Bayer and its Affiliates for, upon, or by reason of any matter, cause or thing whatsoever related to the Agreement prior to the Effective Date of the Amendment. The following are expressly excluded from the foregoing release by Nektar and its Affiliates: any Third Party claim for Damages for which Bayer is required to indemnify Nektar and/or its Affiliates pursuant to Section 14.1 of the Agreement.

(b) Nektar, on behalf of itself and its Affiliates, hereby irrevocably and unconditionally covenants and agrees that it will refrain from commencing any action, suit, claim, counterclaim or proceedings, or prosecuting or participating (other than as a defendant) in any pending or other action, suit, claim, counterclaim or proceeding, at law, in equity or otherwise, against or adverse to Bayer or its Affiliates on account of any matter released under Section 14.5(a) of this Agreement. In addition to any other liability that may accrue in the event of any breach of this covenant, Nektar shall be liable to pay, and hereby agrees to indemnify and hold harmless Bayer and its Affiliates for, all reasonable attorneys' fees, costs and disbursements and all other losses incurred by Bayer and its Affiliates in defense or settlement of any such action, suit, claim, counterclaim or other proceeding.

(c) With respect to the obligations, duties and responsibilities imposed, directly or indirectly, by this Agreement on Nektar, Bayer, on behalf of itself and its Affiliates, hereby fully, finally and forever releases, acquits and discharges any and all claims, actions, causes of action, suits, liabilities, damages, losses, and demands whatsoever in law and equity, whether presently known or unknown, accrued or not accrued, foreseen or unforeseen, matured or not matured, which Bayer and its Affiliates ever had, now have or hereafter can, shall or may have against Nektar and/or its Affiliates, for, upon, or by reason of any matter, cause or thing whatsoever related to the Agreement prior to the Effective Date of the Amendment. The following are expressly excluded from the foregoing release by Bayer and its Affiliates: (a) any Third Party claim for Damages for which Nektar is required to indemnify Bayer and/or its Affiliates pursuant to Section 14.2 of the Agreement; and (b) the indemnity of Bayer by Nektar set forth in Section 2.5.2 of the Agreement as amended through an addition set forth in Section 8 of this Amendment.

(d) Bayer, on behalf of itself and its Affiliates, hereby irrevocably and unconditionally covenants and agrees that it will refrain from commencing any action, suit, claim, counterclaim or proceedings, or prosecuting or participating (other than as a defendant) in any pending or other action, suit, claim, counterclaim or proceeding, at law, in equity or otherwise, against or adverse to Nektar and its Affiliates on account of any matter released under Section 14.5(c) of this Agreement. In addition to any other liability that may accrue in the event of any breach of this covenant, Bayer shall be liable to pay, and hereby agrees to indemnify and hold harmless Nektar and its Affiliates for, all reasonable attorneys' fees, costs and disbursements and all other losses incurred by Nektar and its Affiliates in defense or settlement of any such action, suit, claim, counterclaim or other proceeding.

16. Section 20.5 is hereby deleted and entirely replaced by the following:

Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

If to Bayer, addressed to:

Bayer Healthcare LLC
555 White Plains Road
Tarrytown, New York 01591
Attn: [***]
Facsimile: [***]

With copy to:

Bayer Schering Pharma AG
Muellerstrasse 178
D-Berlin, Germany
Attn: [***]
Facsimile: [***]

If to Nektar, addressed to:

Nektar Therapeutics
455 Mission Bay Boulevard South
San Francisco, CA U.S.A. 94158-2117
Attention: Chief Executive Officer

With copy to:

Nektar Therapeutics
455 Mission Bay Boulevard South
San Francisco, CA U.S.A. 94158-2117
Attention: Sr. Vice President & General Counsel

17. Miscellaneous

a. **Full Force and Effect.** Except as expressly amended by this Amendment, the Agreement shall remain unchanged and continue in full force and effect as provided therein.

b. **Entire Agreement of the Parties.** This Amendment and the Agreement constitute the complete final and exclusive understanding and agreement of the Parties with respect to the subject matter of the Agreement, and supersede any and all prior or contemporaneous negotiations, correspondence, understandings and agreements, whether oral or written, between the Parties respecting the subject matter of the Agreement.

c. **Counterparts.** This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this Amendment may be executed and/or exchanged by facsimile or other electronic means (such as in pdf format), and such execution and/or exchange shall be legally binding for all purposes.

[Signature Page Follows]

[Signature Page to Amendment No. 1]

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment in duplicate originals by their authorized officers as of the Effective Date of the Amendment.

ACCEPTED AND AGREED,

BAYER HEALTHCARE LLC

By: [***]

Name: [***]

NEKTAR THERAPEUTICS

By: [***]

Name: [***]

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

EXHIBIT 10.31

SUPPLY, DEDICATED SUITE AND MANUFACTURING GUARANTEE AGREEMENT

by and between

Nektar Therapeutics
and
Amgen Inc. and Amgen Manufacturing, Limited

dated October 29, 2010

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

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*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

SUPPLY, DEDICATED SUITE AND MANUFACTURING GUARANTEE AGREEMENT

THIS SUPPLY, DEDICATED SUITE AND MANUFACTURING GUARANTEE AGREEMENT is entered into as of October 29, 2010 (**"Effective Date"**) by and between on the one hand Nektar Therapeutics (**"Nektar"**), a corporation organized under the laws of Delaware, with its principal place of business located at 201 Industrial Road, San Carlos, California 94070, and on the other hand Amgen Inc., a corporation organized under the laws of Delaware, with its principal place of business located at One Amgen Center Drive, Thousand Oaks, California 91320, and Amgen Manufacturing, Limited, a corporation organized under the laws of Bermuda, with its principal place of business located at State Road 31, Kilometer 24.6, Juncos, Puerto Rico 00777-4060 (collectively Amgen Inc. and Amgen Manufacturing, Limited, **"Amgen"**)

WITNESSETH:

WHEREAS, Nektar and Amgen Inc. are parties to that certain agreement titled Supply and License Agreement (dated July 25, 1995; Amgen reference 951863) as amended by Amendment No. 1 (effective as of July 31, 1996), Amendment No. 2 (effective as of December 20, 1999), and Amendment No. 3 (entered into as of August 28, 2003) (collectively, the **"Original Supply and License Agreement"**) and, pursuant to the Original Supply and License Agreement, Nektar and its affiliates licensed certain technology relating to the manufacture of [***] polymers to Amgen Inc. and its affiliates so that Amgen Inc. or its affiliates may manufacture themselves or have manufactured by third parties certain compounds, and Nektar manufactured for and supplied to Amgen Inc. and its affiliates certain products;

WHEREAS, concurrent with entering into this Supply Agreement, Amgen Inc. and Nektar have amended and restated the Original Supply and License Agreement (through the License Agreement (defined below)) so as to provide for separate agreements addressing, among other things, the license grants through the License Agreement, on the one hand, and the supply obligations through this Supply Agreement, on the other;

WHEREAS, concurrent with entering into this Supply Agreement, Amgen has submitted to Nektar a letter setting forth its approval of certain Manufacturing Documents (defined below), which Manufacturing Documents constitute Amgen-Approved Manufacturing Documents (the **"First Amgen-Approved Manufacturing Documents"**); and

WHEREAS, Amgen desires to obtain, and Nektar is willing to guarantee to Amgen in return for certain payments, long term, timely supply of certain [***] polymers that meet Amgen's quality standards, exclusive use of certain portions of Nektar's facility for the manufacture of such polymers for Amgen and its affiliates and their respective licensees or assigns, and continuity of the supply of such polymers all as set forth below.

AGREEMENT:

NOW THEREFORE, in consideration of the foregoing and the covenants and promises contained in this Supply Agreement, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 "Affiliate" shall have the meaning set forth in the Quality Agreement (defined below).

1.2 "Amgen-Approved Manufacturing Documents" shall mean the then-current version of each of the Manufacturing Documents that has been approved of in writing by Amgen.

1.3 "Amgen Product" shall mean human therapeutics, diagnostics or prophylactics manufactured by or on behalf of Amgen Inc. or one or more of its Affiliates which utilize Licensed Product in their manufacture.

1.4 "Applicable Laws" shall mean all national, multinational, federal, provincial, state and local laws, statutes, rules, ordinances, and regulations that are applicable to each Party's obligations or performance pursuant to this Agreement including without limitation the applicable Regulatory Agency (as defined in the Quality Agreement) guidelines. **"Applicable Law"**, in the singular, shall refer to one element of the Applicable Laws.

1.5 "Audit Findings Resolution Plan" shall mean the actions to be taken by Nektar described on Exhibit 6 in response to the Amgen Audit Report of Nektar's Huntsville, Alabama facility dated April 30, 2010 and amended May 24, 2010.

1.6 "Batch" shall have the meaning set forth in the Quality Agreement.

1.7 "Batch Record" shall have the meaning set forth in the Quality Agreement.

1.8 "Certificate of Analysis" shall have the meaning set forth in the Quality Agreement.

1.9 "Change Notification" shall mean a notice from Amgen to Nektar indicating (i) one or more modifications that Amgen directs, in its reasonable discretion, to be made to the Amgen-Approved Manufacturing Documents, Specifications, analytical testing validation requirements, or list of Critical Raw Materials (as defined in the Quality Agreement) and (ii) to the extent applicable, the duration of any suspension of Manufacturing of Product subject to one or more Orders.

1.10 "Change of Control" shall mean, with respect to a Party, any of the following transactions: (i) the sale or other transfer to, or acquisition by, any Person of securities possessing more than fifty percent (50%) of the total combined voting power of such Party's outstanding securities; (ii) the sale or other transfer of all or substantially all of the assets of such Party in one or more related transactions to any Person who on the Effective Date hereof is not an majority-owned affiliate of such Party, whether by sale, exchange, merger, consolidation or reorganization; (iii) a merger or consolidation (or series of related transactions culminating in a merger or consolidation) (a) in which such Party is not the surviving entity, except for a transaction (x) the sole purpose of which is to change its state of domicile or (y) in which the Person(s) holding such Party's outstanding securities prior to the consummation of the transaction possess more than fifty percent (50%) of the total combined voting power of the voting securities in the surviving entity, or (b) in which such Party is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of its outstanding securities are transferred to a Person or Persons different from those who held such securities immediately prior to such event; or (iv) the voluntary or involuntary dissolution or liquidation of such Party.

1.11 "Confidential Information" shall mean all confidential and proprietary information including without limitation all information, procedures, developments, results, data, know-how, protocols, conclusions, technologies, and inventions, disclosed hereunder by or on behalf of a Party to the other Party related to the subject matter of this Supply Agreement, whether disclosed in written (including electronic), visual or oral form; provided however, that Confidential Information shall not include information that (a) is or becomes available to the public, through no breach of this Supply Agreement by the Party receiving such information hereunder (the **"Receiving Party**"), (b) is obtained on a non-confidential basis from a Person other than the Party disclosing such information hereunder (the **"Disclosing Party**"), provided that, such source is not known by the Receiving Party to be bound by an obligation (contractual, legal, fiduciary, or otherwise) of confidentiality to the Disclosing Party with respect to such information, (c) was in the Receiving Party's possession prior to receipt from the Disclosing Party, as evidenced by the Receiving Party's written records, or (d) is independently discovered or developed by the Receiving Party without reference to or the use of Confidential

Information of the Disclosing Party, as evidenced by the Receiving Party's written records.

1.12 "Critical Equipment" shall mean the equipment listed in Exhibit 8 attached hereto.

1.13 "Deliver" (or Delivery or other variants thereof) shall mean, with respect to a Batch that is Released (defined below) by Nektar, the shipment of such Batch to Amgen Manufacturing, Limited or its designee pursuant to Section 4.5(d), below.

1.14 "Delivery Date" shall mean, for each Batch for which Nektar has completed Manufacturing and release testing and that is Released by Nektar, the date on which such Batch is Delivered.

1.15 "Disposition" shall have the meaning set forth in the Quality Agreement.

1.16 "Facility" shall have the meaning set forth in the Quality Agreement.

1.17 "FDA" shall have the meaning set forth in the Quality Agreement.

1.18 "Fixed Fee Component" shall mean the amount of [***] of Product as adjusted pursuant to Section 5.1.

1.19 "Force Majeure Event" shall mean an event or occurrence that prevents the performance by a Party of any of its obligations hereunder if such event or occurrence (i) occurs by reason of any act of God, flood, fire, explosion, earthquake, strike, lockout, labor dispute, casualty, war, revolution, civil commotion, acts of public enemies, blockage, or embargo, (ii) occurs without such Party's fault, (iii) could not have been prevented by reasonable precautions or actions taken by such Party, including without limitation the use of alternate sources, and (iv) is reasonably unforeseeable and beyond the reasonable control of such Party.

1.20 "Governmental Entity" shall mean any court, tribunal, arbitrator, authority, agency, commission, department, ministry, official or other instrumentality of the United States or other country, or any supra-national organization, or any foreign or domestic, state, county, city or other political subdivision, including any Regulatory Agency (as defined in the Quality Agreement).

1.21 "Indenture" shall mean that certain Indenture, dated as of September 28, 2005, by and between Nektar and J.P. Morgan Trust Company, National Association.

1.22 "ICH Q7" shall have the meaning set forth in the Quality Agreement.

1.23 "License Agreement" shall mean that certain agreement titled Amended and Restated License Agreement entered into as of October 29, 2010 by and between Nektar and Amgen Inc., as such agreement may be amended from time to time pursuant to its terms.

1.24 "Licensed Product" shall have the meaning set forth in the License Agreement.

1.25 "Manufacturing" (or Manufacture or other variants thereof) shall have the meaning set forth in the Quality Agreement.

1.26 "Manufacturing Documents" shall mean the Bill of Materials (as defined in the Quality Agreement), Raw Materials Specifications, Standard Operating Procedures and Master Batch Record (as defined in the Quality Agreement).

1.27 "Manufacturing Fees" shall mean, for each kilogram of Product that is subject to an Order (defined in Section 4.5(a)), the dollar amount equal to the following: [***].

1.28 "Manufacturing Line" shall mean the equipment used by Nektar to Manufacture the Product at the Facility and, other than consumables, all other equipment, tooling, and other items comprising or necessary for the operation of such equipment for Manufacturing, including without limitation the items listed in Exhibit 2, attached hereto.

1.29 "Manufacturing Suite" shall mean, collectively, the following portions of the [***] located at 1112 Church Street, Huntsville, Alabama (the location of such portions are depicted generally in Exhibit 3, attached hereto): (i) the space identified as [***]; and (ii) the space identified as [***].

1.30 "[***]" shall mean [***].

1.31 "Party" shall mean, on the one hand, Amgen Inc. and Amgen Manufacturing and, on the other hand, Nektar, as the context requires, and "**Parties**" shall mean Amgen and Nektar.

1.32 "[***]" shall mean [***].

1.33 "Patent Right" shall mean patent applications, patents issuing thereon and any extensions or restorations by existing or future extension or restoration mechanisms, including Supplementary Protection Certificates or the equivalent thereof, renewals, continuations, continuations-in-part, divisions, patents-of-addition, re-examinations, and/or reissues of any patent, in any country of the Territory.

1.34 "Person" shall have the meaning set forth in the Quality Agreement.

1.35 "Product" shall have the meaning set forth in the Quality Agreement.

1.36 "Proposed Change Costs" shall mean the costs associated with [***] required or necessary for Manufacturing pursuant to the Amgen-Approved Manufacturing Documents in effect prior to the date of the Change Notification.

1.37 "Proposed Improvement" shall mean [***].

1.38 "Quality Agreement" shall mean the agreement attached hereto as Exhibit 1 as may be amended from time to time pursuant to Section 12.11, below.

1.39 "Raw Material" shall have the meaning set forth in the Quality Agreement.

1.40 "Raw Materials Direct Costs" shall mean, with respect to each kilogram of Product requested in an Order that Nektar Manufactures, Releases and Delivers hereunder, [***].

1.41 "Raw Materials Minimum Inventory" shall mean the quantity of each of the Raw Materials listed in Exhibit 7, attached hereto, for each [***] of Product requested in an Order.

1.42 "Raw Materials Specifications" shall have the meaning set forth in the Quality Agreement.

1.43 "Reject" (or Rejected or other variants thereof) shall mean that, pursuant to Section 8.2, Amgen has provided Nektar with a Rejection Notice and, thereafter, with respect to each such Rejection Notice, any of the following occur: (i) the basis of the Rejection Notice is failure of the Product to comply with one or more of the Specifications as determined by Nektar's or Amgen's performance of the applicable test method set forth in the Specifications; (ii) within the applicable time period set forth in Section 8.2, Nektar does not notify Amgen of Nektar's good faith disagreement with the basis for the Rejection Notice; (iii) pursuant to Section 8.2, Nektar timely notifies Amgen of Nektar's good faith disagreement with the basis for the Rejection Notice and the Parties agree that Amgen was entitled to reject the Product pursuant to Section 8.2; or (iv) pursuant to Section 8.2, Nektar timely notifies Amgen of Nektar's good faith disagreement with the basis for the Rejection Notice and the Parties refer the matter to a Rejection Evaluator (defined below), and the Rejection Evaluator determines that Amgen was entitled, pursuant to Section 8.2, to reject the Product.

1.44 "Release" (or Released or other variants thereof) shall mean, with respect to a Batch of Product, that such Batch has been Manufactured by Nektar pursuant to the terms

of this Supply Agreement (including without limitation the Quality Agreement) and the Disposition by Nektar results in a release of such Batch.

1.45 "[***]" shall mean [***].

1.46 "[***]" shall have the meaning set forth in the License Agreement.

1.47 "Specifications" shall have the meaning set forth in the Quality Agreement.

1.48 "Standard of Care" shall have the meaning set forth in the Quality Agreement.

1.49 "Standard Operating Procedures" shall have the meaning set forth in the Quality Agreement.

1.50 "Supply Agreement" shall mean this Supply, Dedicated Suite and Manufacturing Guarantee Agreement, together with its exhibits, as such may be amended from time to time pursuant to Section 12.11, below.

1.51 "Territory" shall mean worldwide.

1.52 "Third Party" shall have the meaning set forth in the Quality Agreement.

1.53 "Trigger Event" shall mean the occurrence of any one or more of the following: (i) any Change of Control of Nektar without a signed written commitment as specified in, and submitted to Amgen pursuant to, Section 12.6 hereof; (ii) Nektar's becoming the subject of a voluntary or involuntary bankruptcy proceeding under Title 11 of the United States Bankruptcy Code (the **"Code"**) or under any other applicable U.S. Federal, state or foreign law (collectively with the Code, a **"Debtor Relief Law"**), having a trustee or liquidator appointed over its assets (or Nektar's consenting to such an appointment), and/or having a receiver appointed to more than an insignificant portion of its assets (or Nektar's consenting to such an appointment) and/or winding up or liquidating, or having wound up or liquidated, its business, or in each case the occurrence of an event similar to any of the foregoing under Applicable Law, including any Debtor Relief Law; (iii) upon the occurrence of Nektar ceasing to own exclusively or otherwise lawfully control (i.e., sole right to access (other than customary easements), use (including exclusive use of the Manufacturing Suite and Manufacturing Line), lease and transfer) the Facility; (iv) in any [***], upon the occurrence of (A) Nektar failing, refusing or being unable to Manufacture, Release and Deliver on or before the Delivery Schedule Date or within [***] after the applicable In-Progress Delivery Schedule Date more than [***] of Product that are subject to one or more Orders or (B) more than [***] of Product that are subject to one or more Orders are Rejected (each occurrence under the preceding subpart (iv)(A) or (iv)(B) of this Section 1.53 a **"Supply Default"**); (v) Nektar's failure (a) to pay any

principal or interest, regardless of amount, due in respect of any indebtedness, when and as the same shall become due and payable beyond any applicable grace or cure period, or (b) to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such indebtedness if the effect of any failure referred to in this clause (b) is to cause, or to permit the holder or holders of such indebtedness or a trustee or other representative on its or their behalf (with or without the giving of notice, the lapse of time or both) to cause, such indebtedness to become due prior to its stated maturity; provided that it shall not constitute a Trigger Event unless the aggregate amount of all such indebtedness referred to in clauses (a) and (b) exceeds [***] at such time); (vi) the occurrence of an Event of Default under the Indenture (as "Event of Default" is defined in Section 4.1 of the Indenture); (vii) Nektar's failing, refusing or being unable to submit one or more of the [***] set forth, and pursuant to the schedule, in Exhibit 6, and any such failure, refusal or inability is not cured by Nektar within [***] after receipt of notice from Amgen; (viii) Nektar's failing, refusing or being unable to submit to Amgen documents specified in, or otherwise comply with the requirements set forth in Section 4.8(a) and any such failure, refusal or inability is not cured by Nektar within [***] after receipt of notice from Amgen; or (ix) Nektar's failing, refusing or being unable to submit to Amgen documents specified in, or otherwise comply with the requirements set forth in, Section 4.8(b) or Section 4.11, and any such failure, refusal or inability is not cured by Nektar within [***] after receipt of notice from Amgen.

1.54 "[***]" shall mean [***].

ARTICLE 2
REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 Representations, Warranties and Covenants of Nektar. Nektar represents, warrants and covenants to Amgen as follows:

(a) Corporate Power. Nektar is duly organized and validly existing under the laws of Delaware and has full corporate power and authority to enter into this Supply Agreement and to carry out the provisions hereof.

(b) Due Authorization. Nektar is duly authorized to execute and deliver this Supply Agreement and to perform its obligations hereunder. The Person executing this Supply Agreement on Nektar's behalf has been duly authorized to do so on behalf of Nektar by all requisite corporate action.

(c) Binding Agreement. This Supply Agreement is a legal and valid obligation binding upon Nektar and enforceable in accordance with its terms. The execution, delivery and performance of this Supply Agreement by Nektar does not conflict with any

agreement, instrument or understanding, oral or written, to which it or one or more of the Affiliates of Nektar is a party or by which it or one or more of the Affiliates of Nektar may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it or one or more of its Affiliates.

(d) Solvency and Performance. Nektar is financially solvent, able to pay its debts as they mature, and possesses sufficient working capital to complete its obligations hereunder and is aware of no circumstance that would be reasonably likely to prevent it from or interfere with it performing under this Supply Agreement.

(e) Expertise and Equipped. Nektar possesses a high level of expertise in the business, administration, management, supervision, and Manufacturing required or necessary to undertake and perform its obligations hereunder and is fully and properly licensed, permitted, registered, qualified, experienced, equipped (including without limitation equipped with labor, facilities, machinery, equipment, and materials), resourced, organized, and financed, and has all intellectual property rights necessary, to perform its obligations hereunder, as such obligations may change from time-to-time pursuant to the terms of this Supply Agreement. Notwithstanding Section 4.1(c) and except with respect to [***] set forth in the Specification on Appendix G to the Quality Agreement, with respect to the First Amgen-Approved Manufacturing Documents, on or before the Effective Date, Nektar has done all that is necessary or required to comply with the First Amgen-Approved Manufacturing Documents and there are no Proposed Improvements or Proposed Change Costs associated with such First Amgen-Approved Manufacturing Documents.

(f) Facility. The Facility, including without limitation the Manufacturing Line and Manufacturing Suite, and all equipment necessary for the Manufacture, Release and Delivery of Product, as such Manufacture, Release and Delivery may change from time-to-time pursuant to the terms of this Supply Agreement, is, and will remain, in good repair and fully and properly licensed, permitted, registered, qualified and, to the extent validated (which, as of the Effective Date, only the analytical methods are validated), validated for the Manufacture of Product.

(g) Use of Manufacturing Suite. The Manufacturing Suite is not being used for any purpose other than the Manufacture of Product.

(h) Grant of Rights. Neither Nektar nor any of its Affiliates has granted, nor will grant during the Term, any right to any Third Party which would conflict with the rights granted to Amgen hereunder.

(i) Intellectual Property. Other than [***], Nektar has no knowledge of any intellectual property rights that would conflict with (i) Nektar's performance hereunder including performance pursuant to changes made pursuant to Section 4.1 or (ii) Amgen's exercise of any of the rights granted hereunder.

(j) [***].

(k) No Debarment. Nektar is not currently using, and will not during the Term knowingly use, in any capacity, in connection with the performance of Manufacturing or any other of its obligations hereunder, the services of any Person debarred or subject to debarment under 21 U.S.C. § 335(a) or otherwise disqualified or suspended from performing the Manufacturing or otherwise subject to any restrictions or sanctions by the FDA or any other Regulatory Agency with respect to the performance of the Manufacturing (a **"Debarred Person"**).

(l) Product Delivery. On the Delivery Date applicable to a Batch, or portion thereof, of Product Delivered hereunder, such Product will comply with all terms of this Supply Agreement including without limitation the requirements of the Quality Agreement, the Specifications, the Certificate of Analysis, and the Master Batch Record.

(m) Raw Materials Procurement. Neither Nektar nor any of its Affiliates has entered into or made, or will enter into or make, any arrangement or agreement with any Third Party that restricts or prohibits Amgen or one or more of its Affiliates from obtaining Raw Materials directly or indirectly from Third Parties.

(n) Compliance with Supply Agreement. All of the Product Delivered hereunder shall, upon Delivery, have been Manufactured, Released and shipped in conformance with all material terms of this Supply Agreement including without limitation the requirements of the Quality Agreement, the Specifications, the Certificate of Analysis, the Master Batch Record, ICH Q7 and Applicable Laws and Nektar will maintain suitable records to verify such compliance.

(o) Title. Other than as set forth in Section 6.4, title to all Product sold hereunder shall pass to Amgen free and clear of any security interest, lien, or other encumbrance.

(p) Validity. Nektar is not aware of any action, suit or inquiry or investigation instituted by any Third Party including without limitation any U.S. federal or state Governmental Entity which questions or threatens the validity of this Supply Agreement or which could prevent or delay Nektar's performance under this Supply Agreement.

2.2 Representations and Warranties of Amgen. Amgen Inc. and Amgen Manufacturing, Limited represent and warrant to Nektar as follows:

(a) Corporate Power. Amgen Inc. is duly organized and validly existing under the laws of Delaware, and Amgen Manufacturing, Limited is duly organized and validly existing under the laws of Bermuda. Each of Amgen Inc. and Amgen Manufacturing, Limited has full corporate power and authority to enter into this Supply Agreement and carry out the provisions hereof.

(b) Due Authorization. Amgen is duly authorized to execute and deliver this Supply Agreement and to perform its obligations hereunder. The Persons executing this Supply Agreement on Amgen's behalf have been duly authorized to do so by all requisite corporate action.

(c) Binding Agreement. This Supply Agreement is a legal and valid obligation binding upon Amgen, and enforceable against Amgen in accordance with its terms. The execution, delivery and performance of this Supply Agreement by Amgen does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) Validity. Amgen is not aware of any action, suit or inquiry or investigation instituted by any Third Party including without limitation any U.S. federal or state Governmental Entity which questions or threatens the validity of this Supply Agreement.

ARTICLE 3
EXCLUSIVE USE MANUFACTURING SUITE AND MANUFACTURING GUARANTEE

3.1 Exclusive Suite/Guarantee Grants. For the Term of this Supply Agreement, Nektar (i) grants the Purchase Option, Easement (defined in Section 7.2) and license set forth in Section 7.2 hereof, (ii) reserves and makes available the Manufacturing Suite and Manufacturing Line exclusively for the Manufacturing of Product hereunder for Amgen or its designee, (iii) guarantees its Manufacture, Release and Delivery of the Previously Ordered Product pursuant to the terms of the Original Supply and License Agreement, and (iv) guarantees its Manufacture, Release and Delivery of Product in a quantity in the aggregate of up to [***] (this [***] does not include, and is in addition to, the Previously Ordered Product and does not include Product that is Manufactured, Released and Delivered by Nektar but Rejected) of the Product pursuant to the terms of this Supply Agreement (collectively, the **"Exclusive Suite/Guarantee Grants"**). In consideration for the Exclusive Suite/Guarantee Grants, Amgen shall pay to Nektar fifty million dollars

(US$50,000,000) (the **"Exclusive Suite/Guarantee Payment"**), payable by Amgen to Nektar within thirty (30) days after the Effective Date.

3.2 Additional Guarantee Payment and Reduced Guarantee Payment.

(a) Additional Guarantee Payment. In addition to any Manufacturing Fees and [***] (defined in Section 5.2) that accrue and are payable by Amgen hereunder, if from time-to-time during the Term Amgen submits one or more Orders for Product in excess of the Previously Ordered Product plus [***] (an **"Excess Order"**), except as provided otherwise in this Section 3.2, Amgen shall pay to Nektar the applicable additional payment set forth in Table 3.2 (each an **"Additional Guarantee Payment"**) in consideration for Nektar guaranteeing, and Nektar does hereby so guarantee, the Manufacture, Release and Delivery of Product, pursuant to the terms of this Supply Agreement, of up to the upper limit quantity specified in Table 3.2 associated with such Additional Guarantee Payment (each an **"Upper Limit Quantity"**). The quantity ranges in Table 3.2, below, commence with amounts ordered in addition to the [***] described in Section 3.1 (e.g., [***] represents the first kilogram ordered in excess of the [***] described in Section 3.1 and in excess of the Previously Ordered Product, and so on).

Table 3.2

Guaranteed Quantity Range		
Lower Limit Quantity	**Upper Limit Quantity**	**Additional Guarantee Payment**
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

Each Upper Limit Quantity in Table 3.2 does not include, and is in addition to, the quantity of the Previously Ordered Product and does not include Product that is Manufactured, Released and Delivered by Nektar but Rejected. Any [***] paid by Amgen pursuant to Section 5.2 hereof shall count toward, and reduce dollar-for-dollar, the amount of any Additional Guarantee Payment that Amgen is obligated to pay pursuant to this Section 3.2(a) or any Reduced Guarantee Payment that Amgen is obligated to pay pursuant to Section 3.2(b). To the extent that Amgen is obligated to pay Nektar one or more Additional Guarantee Payments pursuant to the terms of this Section 3.2(a), each such Additional Guarantee Payment shall be payable by Amgen to

Nektar within [***] after the date that either (i) Nektar Delivers to Amgen or its designee the total quantity of Product ordered under the Excess Order that is Manufactured, Released and Delivered by Nektar pursuant to the terms of this Supply Agreement and that is not Rejected or (ii) Amgen or its designated Third Party manufacturer manufactures Product (other than Product that is Previously Ordered Product) in the Manufacturing Suite and the Disposition of such Product results in a release of such Product by Amgen or its designated Third Party manufacturer (**"Amgen Manufactured Product"**), and the aggregate of the quantity of such Amgen Manufactured Product and Product (excluding the Previously Ordered Product) that was Manufactured, Released and Delivered by Nektar and not Rejected exceeds a Lower Limit Quantity. Notwithstanding the foregoing, under certain circumstances set forth in Section 3.2(b), the Additional Guarantee Payments may be subject to a reduction to the Reduced Additional Guarantee Payment. For the avoidance of doubt, the Reduced Additional Guarantee Payment is in lieu of, and not in addition to, the Additional Guarantee Payments, Manufacturing Fees, and [***].

(b) Reduced Additional Guarantee Payment. If (i) the basis for a Trigger Event is the occurrence of a Supply Default, (ii) Nektar fails to timely perform a Trigger Event Readiness Demonstration, or (iii) pursuant to Section 4.7(a), Nektar timely performs the Trigger Event Readiness Demonstration and Amgen is not reasonably satisfied that Nektar is able and willing to operate and maintain the Facility and Manufacturing Line, then, if Amgen pursuant to Section 7.4 elects to itself or through a Third Party manufacture, release and deliver Product at the Facility, then, in lieu of the Additional Guarantee Payments set forth in Table 3.2, the Manufacturing Fees and the [***], Amgen shall pay Nektar [***] of Amgen Manufactured Product (the **"Reduced Additional Guarantee Payment"**). Additionally, if after a Trigger Event Nektar is entitled hereunder to demonstrate and actually does so demonstrate to Amgen pursuant to Section 4.7(a) that Nektar is able and willing to operate and maintain the Facility and Manufacturing Line as required or necessary to perform and meet its obligations hereunder and Amgen does not elect to itself or through a Third Party manufacture, release and deliver Product at the Facility and, thereafter, there is a Supply Default, then there shall be no additional Trigger Event Readiness Demonstration and, if Amgen pursuant to Section 7.4 elects to itself or through a Third Party manufacture, release and deliver Product at the Facility, the quantity of Product that Amgen or its Third Party manufactures at the Facility shall be deemed Amgen Manufactured Product and, in lieu of the Additional Guarantee Payments set forth in Table 3.2, the Manufacturing Fees and the [***], Amgen shall pay Nektar the Reduced Additional Guarantee Payment. The Reduced Additional Guarantee Payment is in consideration for Nektar guaranteeing, and Nektar does hereby so guarantee, up to the applicable Upper Limit Quantity that it will maintain the Facility (including without limitation the Manufacturing Suite and, unless Amgen exercises the Purchase Option, the Manufacturing Line), and cooperate with

Amgen and its designees as necessary or required, in order for Amgen itself or through a Third Party to manufacture, release and deliver Product as if such Product were Manufactured, Released and Delivered by Nektar hereunder. To the extent that Amgen is obligated to pay Nektar any Reduced Additional Guarantee Payment pursuant to the terms of this Section 3.2, the Reduced Additional Guarantee Payment shall be payable by Amgen to Nektar only after the date that the quantity of the Amgen Manufactured Product plus the Product Manufactured, Released and Delivered hereunder by Nektar (excluding the quantity of the Previously Ordered Product and any Product that is Rejected) exceeds [***].

3.3 Manufacturing Fees and [***]. Except as set forth in Section 3.2 with respect to any [***] paid by Amgen, the Exclusive Suite/Guarantee Payment and any applicable Additional Guarantee Payments or Reduced Additional Guarantee Payment are in addition to any Manufacturing Fees and [***] that may accrue hereunder.

ARTICLE 4
MANUFACTURE AND DELIVERY

4.1 Manufacture.

(a) Nektar shall Manufacture the Product, and prior to shipment to Amgen, store at the Facility, Release and Deliver the Product, as specified in Orders, all in compliance with the terms of this Supply Agreement including without limitation the terms of the Quality Agreement. Nektar shall meet the Standard of Care in the performance of its obligations under this Supply Agreement. Nektar shall provide all that is required or necessary to perform its obligations under this Supply Agreement including without limitation providing all permits, licenses, authorizations, registrations, labor, supervision, facilities, machinery, equipment, materials (including without limitation Raw Materials), supplies, intellectual property rights, maintenance, calibration, validation and resources. Nektar has submitted to Amgen, and Amgen has approved in writing concurrently with entering into this Supply Agreement, copies of the Manufacturing Documents.

(b) Subject to the provisions of this Section 4.1, including without limitation the provisions governing Agreed Improvements and Agreed Change Costs, Amgen shall have the right, in its reasonable discretion, to make changes to any of the Amgen-Approved Manufacturing Documents and Specifications. Amgen shall submit to Nektar a Change Notification with respect to [***] that, on the Effective Date, is set forth in the Specification on Appendix G to the Quality Agreement. No later than [***] after Nektar's receipt of each Change Notification or such longer period as specified, or agreed to (such agreement not to be unreasonably withheld or delayed), in writing by Amgen, Nektar shall revise pursuant to the Change Notification the documents that are the subject

to the Change Notification and submit such revised documents to Amgen for review and approval. Concurrently and in addition, Nektar shall notify Amgen (each a **"Response Notice"**) of (i) any Proposed Improvements (including the schedule for undertaking and completing any Proposed Improvements which schedule may take into consideration Nektar's other manufacturing activities at the Facility to the extent that implementation of the Proposed Improvements would result in [***] interruption of or interference with such other activities) and Proposed Change Costs and (ii) any and all intellectual property rights of Third Parties of which Nektar has knowledge that might be relevant to the Change Notification. Unless Amgen specifies or agrees in writing to a longer period, within [***] after Amgen's receipt of each timely submitted Response Notice (the **"Response Notice Review Period"**), in good faith, the Parties shall discuss the Proposed Improvements and Proposed Change Costs and attempt to reach agreement on the scope and schedule of the Proposed Improvements and the Proposed Change Costs to be reimbursed to Nektar by Amgen (the aspects of the Proposed Improvements and Proposed Change Costs, and any modifications thereto, agreed in writing by the Parties shall be referred to as, respectively, the **"Agreed Improvements"** and **"Agreed Change Costs"**). With respect to each Response Notice submitted pursuant to this Section 4.1(b) on which the Parties do not reach agreement as to the scope of the Proposed Improvements or the Proposed Changes Costs to be reimbursed to Nektar by Amgen before the end of the Response Notice Review Period, a Party may escalate the review of such Response Notice and the associated Change Notification pursuant to the escalation process set forth in Section 12.18 and, if the Parties do not reach agreement as part of such escalation, then the Parties shall refer the matter to an independent Third Party with expertise in manufacturing facility operation and mutually agreed upon by the Parties, such agreement not to be unreasonably withheld or delayed (**"Manufacturing Change Evaluator"**). Within [***] after referral to the Manufacturing Change Evaluator, Amgen shall submit to the Manufacturing Change Evaluator the Change Notification and Response Notice, and Amgen shall cause the Manufacturing Change Evaluator to determine the scope of the Proposed Improvements and the Proposed Change Costs to be reimbursed to Nektar by Amgen. Unless Amgen withdraws or modifies the Change Notification that is the subject of the evaluation of the Manufacturing Change Evaluator, the determination of the Manufacturing Change Evaluator shall be binding on the Parties. The determination of the Manufacturing Change Evaluator shall be deemed Confidential Information hereunder. The fees and expenses of the Manufacturing Change Evaluator shall be borne by [***]. Amgen may at any time, by notice to Nektar, withdraw or modify any Change Notification, and if Amgen withdraws a Change Notification that is subject to review by a Manufacturing Change Evaluator before such evaluator makes a determination, then Amgen shall pay the fees and expenses of such Manufacturing Change Evaluator. With respect to changes to the Manufacturing Documents and the implementation thereof and changes to the Specifications, Amgen shall only be obligated

to reimburse Nektar for the Agreed Change Costs and, to the extent consented to in writing and in advance by Amgen, such consent not to be unreasonably withheld, the actual costs incurred by Nektar to secure intellectual property rights from Third Parties.

(c) After approval by Amgen and, as applicable and pursuant to Section 4.1(b), after establishing the Agreed Improvements and Agreed Change Costs, Nektar shall do all that is necessary or required to comply with the Amgen-Approved Manufacturing Documents. Duplicate originals of the most current Amgen-Approved Manufacturing Documents shall be maintained by each Party and shall be automatically incorporated into this Supply Agreement by reference. In Manufacturing the Product, Nektar shall comply in all respects with the most current Amgen-Approved Manufacturing Documents along with all other terms and conditions of this Supply Agreement.

(d) After Nektar's receipt of each Change Notification related to the Specifications and after establishing, as applicable and pursuant to Section 4.1(b), the Agreed Change Costs and Agreed Improvements, each such changed Specification shall be automatically incorporated into this Supply Agreement by reference.

4.2 Supply Obligation. Nektar shall be in default of this Supply Agreement if, during the Term, (a) Nektar fails, refuses or is unable to Manufacture or Release Product pursuant to the terms of this Supply Agreement, or (b) Nektar fails, refuses or is unable to Deliver Product pursuant to the terms of this Supply Agreement.

4.3 Annual Forecasts. [***], Amgen will submit to Nektar a non-binding, twelve (12) month forecast of the quantities of Product Amgen may require Nektar to Manufacture, Release and Deliver during the next calendar year (each an **"Annual Forecast"**). Each Annual Forecast is based on Amgen's good faith estimates at the time submitted of its requirements for Product Manufactured by Nektar and is provided for informational purposes only, is nonbinding, and shall not be a commitment from nor restriction on Amgen with respect to any minimum, maximum, or specific quantity of Product ordered hereunder. No later than [***] of the Term, Nektar shall notify Amgen of the estimated Raw Materials Direct Costs for the quantities of Product that are listed in the Annual Forecast for such calendar year; provided however if for such calendar year Amgen has not submitted an Annual Forecast or the submitted Annual Forecast is for [***], then Nektar shall base its estimated Raw Materials Direct Costs on an aggregate of [***] of Product to be Delivered during such calendar year. Nektar's notification of the estimated Raw Materials Direct Costs shall include (a) if applicable, the reasons for any increase of greater than [***] in the Raw Materials Direct Costs stated in such notice as compared to the estimated Raw Materials Direct Costs stated in the notice for the immediately preceding calendar year and (b) a written statement signed by an officer of Nektar certifying that no Trigger Event has occurred since the Effective Date or, in the

alternative in the event that a Trigger Event has occurred, that Nektar has, pursuant to Section 4.10, notified Amgen of the occurrence of any and all Trigger Events and no other Trigger Events have occurred since the Effective Date.

4.4 [***].

4.5 Orders and Delivery.

(a) Orders. Amgen shall request that Nektar Manufacture Product by submitting to Nektar a document indicating the quantity of Product to be Manufactured and the date(s) of Delivery (each an **"Order"**). All Orders issued hereunder shall be binding and subject to the terms and conditions of this Supply Agreement. Amgen shall submit Orders to the following email address (or at such other email address as may from time to time be furnished in advance by notice by Nektar to Amgen, but in no event shall there be at any one time more than one email address): [***]. Nektar shall Deliver the total quantity of Product requested in an Order within the following time after Amgen submits such Order pursuant to this Section 4.5(a) (**"Delivery Schedule Date"**): the sum of (i) [***] (**"Lead Time"**) provided however, that if at the time such Order is submitted, there are days remaining in the Delivery Schedule Date for a previously placed Order, the Lead Time shall be increased by that number of remaining days, plus (ii) [***] of Product in excess of [***] of Product. In addition to the foregoing, Nektar shall Deliver [***] of Product requested in an Order on or before the expiration of the Lead Time for such Order and, after the expiration of such Lead Time until the entire quantity of Product requested in such Order has been Delivered by Nektar, Nektar shall Deliver [***] (each such date for Delivery, an **"In-Progress Delivery Schedule Date"**). The following is provided for purposes of example:

[***]

[***]

Notwithstanding the foregoing, the Lead Time shall be reduced to [***] if (a) on the date that Amgen submits an Order, Nektar has in inventory the Raw Materials Minimum Inventory or (b) Nektar is obligated pursuant to Section 6.3 to obtain and maintain the Raw Materials Minimum Inventory as Required Inventory (defined below). Furthermore, notwithstanding the foregoing, (A) if there is a failure of a Critical Equipment that causes a delay in Manufacturing of Product subject to one or more Orders and such failure is not a result of Nektar's failure to maintain such Critical Equipment in accordance with standard industry practice or Nektar's procedures or practices or such failure is not a result of Nektar's abuse or misuse of such Critical Equipment, then the Lead Time for such Orders may be extended by [***] (which [***] shall include without limitation Nektar concurrently remediating failures of multiple pieces of Critical Equipment); (B) if

during Manufacturing of Product subject to an Order there is a Significant Deviation (as defined in the Quality Agreement), pursuant to the Quality Agreement Nektar submits to Amgen a Pre-Delivery Deviation Notification, and Amgen approves of such Pre-Delivery Deviation Notification, then the Lead Time for such Order may be extended by [***]; and (C) to the extent that a Change Notification is applicable to an Order and the schedule for the Agreed Improvements related to such Change Notification or, if there is no related Agreed Improvements, then such Change Notification specifies a suspension in Manufacturing of Product subject to that Order, then the Lead Time for such Order may be extended by [***].

(b) Acknowledgement. [***] after Amgen's submittal of each Order, Nektar shall notify Amgen in writing of its receipt of each such Order to the following address (or at such other address as may from time to time be furnished by notice by Amgen to Nektar) (each an **"Order Acknowledgement"**): [***]. No Order Acknowledgement shall, nor shall it be construed to, alter or modify such Order. Nektar's failure or refusal to submit an Order Acknowledgement shall in no way alter or relieve Nektar from its obligations to Manufacture, Release and Deliver Product pursuant to such Order.

(c) Previously Ordered Product. Amgen ordered [***] of Product from Nektar pursuant to Change Purchase Order 4500008429 (issued by Amgen on October 9, 2009) (the **"Previously Ordered Product"**) and Nektar has acknowledged such order and is manufacturing the Previously Ordered Product. Notwithstanding the terms of this Supply Agreement, Nektar shall manufacture and deliver the Previously Ordered Product, and Amgen shall accept or reject the Previously Ordered Product and compensate Nektar for such manufacture and delivery, pursuant to the terms of the Change Purchase Order 4500008429 and the Original Supply and License Agreement without reference to, or application of, this Supply Agreement or the Quality Agreement.

(d) Release and Delivery. Nektar shall ship to Amgen or its designee [***] (as defined in Incoterms 2000) each Batch of Product that is ordered by Amgen and Released by Nektar. Unless notified otherwise by Amgen, Nektar will schedule the freight to be shipped collect via [***] using International Priority Service for purposes of Delivering the Product to Amgen or its designee. Nektar shall ship the Product properly packaged and labeled and in compliance with Applicable Laws.

(e) Title and Risk of Loss. Title and risk of loss to the Product shall remain with Nektar until the Product has been Delivered to Amgen pursuant to Section 4.5(d), after which title to and risk of loss of the Product shall pass to Amgen.

(f) Conflicting Terms. In ordering and Delivering the Product, Amgen and Nektar may use their standard forms, but nothing in such forms shall be construed to

amend, supplement or modify the terms or conditions of this Supply Agreement which Supply Agreement shall govern all Orders and Deliveries.

4.6 Ongoing Readiness for Manufacturing. At all times during the Term, Nektar shall operate and maintain the Facility and Manufacturing Line as required or necessary to perform and meet its obligations hereunder (including without limitation its obligation to Manufacture, Release and Deliver Product before the Delivery Schedule Date and each In-Progress Delivery Schedule Date) and so as to ensure full compliance with Applicable Laws and this Supply Agreement. Nektar shall not remove any equipment, tooling or other item in or comprising the Manufacturing Line without Amgen's prior written approval, which Amgen may grant or withhold in its sole discretion. Nektar shall promptly notify Amgen if and when Nektar becomes aware of circumstances that may affect Nektar's ability to perform and meet its obligations hereunder and any such notice shall identify in sufficient detail the nature and impact of the circumstances and Nektar's plan of action to remedy such. In addition to and without limiting the generality of the foregoing, and subject to Section 4.1 for Proposed Improvements, in the event that any equipment, tooling or other item comprising the Manufacturing Line needs to be replaced for maintenance purposes or to otherwise bring the Manufacturing Line into a condition required or necessary for Manufacturing pursuant to the then-current Amgen-Approved Manufacturing Documents, the Specifications or this Supply Agreement, Nektar shall promptly provide Amgen with prior written notice therefor, and upon Amgen's prior written approval (such approval not to be unreasonably withheld, delayed, or conditioned), and subject to Section 2.1(f) and any similar obligations with respect to the Manufacturing Line and Facility, Nektar shall replace such equipment, tooling or other item with the same or similar equipment, tooling or other item that achieves the same functionality and performance as the replaced item.

4.7 Demonstration and Reduced Additional Guarantee Payment.

(a) Trigger Event Readiness Demonstration. Unless specified otherwise in writing by Amgen or unless Amgen has pursuant to Section 7.4 elected to itself or through a Third Party manufacture Product at the Facility, within [***] after each Trigger Event, and [***] after Amgen's written request, Nektar shall demonstrate [***] that Nektar is able and willing to operate and maintain the Facility and Manufacturing Line as required or necessary to perform and meet its obligations hereunder (including without limitation its obligation to Manufacture, Release and Deliver Product pursuant to the terms of this Supply Agreement) (each a **"Trigger Event Readiness Demonstration"**). Each Trigger Event Readiness Demonstration shall include the following: (i) the Manufacture and Release by Nektar of [***] of Product (**"Demonstration Batches"**) and (ii) at Amgen's election, (A) the completion of an audit by Amgen or its designee of the Facility and Manufacturing operations and systems to determine whether Nektar is in

compliance with the requirements of ICH Q7 (Nektar shall cooperate with Amgen or its designee, and Amgen or its designee shall perform each such audit during the time allotted in this Section for the Trigger Event Readiness Demonstration) or (B) Nektar's written submittal demonstrating compliance with the requirements of ICH Q7. At Amgen's sole option, (y) Amgen may submit an Order for some or all of the Product that Nektar Released as part of a Trigger Event Readiness Demonstration and such Order and the Delivery of Product pursuant thereto shall be subject to the terms of this Supply Agreement, including without limitation Section 8.2 and Section 9.2, or (z) Amgen shall pay Nektar the Manufacturing Fees for the Demonstration Batches and Nektar shall dispose of the Demonstration Batches.

(b) Exclusion of Certain Trigger Event. Notwithstanding anything to the contrary in this Section 4.7, if a Trigger Event arises out of circumstances described in subsection (i) of Section 1.53 and, pursuant to Section 7.4, Amgen elects to itself or through a Third Party manufacture, release and deliver Product at the Facility, any and all quantities of Amgen Manufactured Product shall not count toward the lower or upper limit quantities specified in Table 3.2.

(c) Compensation in Specified Circumstance. If following a Trigger Event, pursuant to Section 4.7(a), Nektar timely performs the Trigger Event Readiness Demonstration and Amgen [***] that Nektar is able and willing to operate and maintain the Facility and Manufacturing Line and thereafter Amgen pursuant to Section 7.4 elects to itself or through a Third Party manufacture, release and deliver Product at the Facility, except as provided otherwise in this Supply Agreement (for example and without limitation, in the event of an additional Trigger Event and Nektar's failure to timely perform a Trigger Event Readiness Demonstration), then [***].

4.8 Continuity of Manufacturing.

(a) Cooperation Nektar shall fully cooperate with Amgen and use [***] to supply all assistance reasonably requested by Amgen in carrying out the intentions of this Supply Agreement including without limitation releasing Product manufactured by Amgen Inc. or its Third Party after the Operation Election Date (defined below) and providing Amgen with access to personnel, documents and records as may be reasonably requested or, pursuant to this Supply Agreement, required to be provided by Nektar.

(b) Document Submittal Without limiting the general nature of Section 4.8(a), no later than [***] during the Term, Nektar shall submit to Amgen the following: (i) the training program (including without limitation the outline and content for the program) and training records for personnel who Manufacture the Product; (ii) the then current material safety data sheet for each Raw Material; (iii) the then-current job hazard

assessments associated with Manufacturing; (iv) documents and records of the installation qualification and operational qualification of the Manufacturing Line and other equipment and physical systems necessary or required for the Manufacturing; (v)documents and records of the performance qualification of the Manufacturing Line and other equipment and physical systems necessary or required for the Manufacturing; and (vi) other than the Controlled Documents, the documents used during, or referred to as part of, Manufacturing by personnel who Manufacture the Product. Additionally, within [***] after the Effective Date, Nektar shall submit to Amgen the documents set forth in Subsection 4.8(b)(iii) and Subsection 4.8(b)(v), above.

4.9 Key Personnel. Nektar shall maintain qualified personnel in the job positions described on Exhibit 5 hereto, the maintenance of qualified personnel in such positions being instrumental to Nektar's performance of its obligations hereunder (personnel filling such job positions shall be referred to as **"Key Personnel"**). Nektar shall cause the Key Personnel to oversee the Manufacturing, Release by Nektar and Delivery of the Product. In the event that Nektar replaces, transfers, or terminates any Key Personnel or if any Key Personnel resigns, Nektar will [***]. No voluntary transfer of Key Personnel by Nektar shall occur at a time or in a manner that would [***] the Manufacturing, Release by Nektar or Delivery of the Product. [***]

4.10 Notice of Trigger Event. Nektar shall immediately notify Amgen upon the occurrence of a Trigger Event. Such notice shall include, at a minimum, a description at a reasonable level of detail of the nature of the Trigger Event.

4.11 Performance of Manufacturing and Facility Operations.

(a) Test Batches. If between the Effective Date and midnight on December 31, 2010, Amgen notifies Nektar to Manufacture up to [***] of Product (**"Test Batches"**), then within [***] after receipt of such notice (which [***] period shall exclude any days after the date of such notice on which the Facility was shut down for a maintenance-related reason provided that Nektar notified Amgen in advance of receipt of such notice from Amgen of the dates of such shut down), unless a later date is specified therein, Nektar shall commence Manufacturing of the Test Batches and notify Amgen of the schedule for Manufacturing (including in that notice the information set forth in Section 4.11(b)) (**"Test Batches Manufacturing Schedule"**) and, thereafter, Manufacture the Test Batches pursuant to the Test Batches Manufacturing Schedule. The quantity of Product resulting from the Manufacturing of the Test Batches shall not be included in, or count toward, the calculation of the lower limit quantities or upper limit quantities set forth in Section 3.2. At Amgen's request, Nektar shall provide to Amgen samples of Product, appropriately packaged and labeled, resulting from the Manufacturing of the Test Batches. [***] at Amgen's sole option, Amgen may submit an

Order for some or all of the Product that Nektar Released as part of Manufacturing the Test Batches and such Order and the Delivery of Product pursuant thereto shall be subject to the terms of this Supply Agreement including without limitation Section 3.2,Section 5.1, Section 8.2, and Section 9.2. At Amgen's request, Nektar shall, pursuant to the Standard Operating Procedures, dispose of that portion of the Product resulting from the Manufacture of the Test Batches that is not subject to an Order.

(b) Notice of Manufacturing Schedule. With respect to each Order, [***], Nektar shall notify Amgen of the following: (i) the number of Batches it anticipates Manufacturing to fulfill the Order; and (ii) for each Batch, the activities and schedule of activities supporting Manufacturing, Release and Delivery including without limitation the schedule for receiving, dispensing, and testing Raw Materials, Batch process sequencing, conducting in-process and release testing, and packaging and storing of each Batch.

(c) Amgen Representatives. In addition to the Person in Plant (defined in the Quality Agreement), Amgen shall have the right during Manufacturing of each Batch (including without limitation the Test Batches) to have at any time up to [***] of its representatives (which representatives may be Third Parties) (collectively or singularly, the **"Amgen Representatives"**) present at the Facility to observe the Manufacturing and inspect the Facility Infrastructure. Nektar shall, and shall cause its representatives who are performing, or who may perform, any portions of Manufacturing to cooperate with the Amgen Representatives including without limitation providing explanations of the activities they are performing and providing timely and full responses to questions asked, or information requested, by the Amgen Representatives. Nektar shall provide Amgen with (and allow Amgen to copy and retain) documentation, data, and records pertaining to the Manufacturing. Nektar shall provide the Amgen Representatives with sufficient and reasonable office space, use of network connections, telephones, copiers, and other office equipment. The Amgen Representatives shall comply with reasonable security and safety procedures provided to Amgen by Nektar in writing no less than [***] in advance of the Amgen Representatives arriving at the Facility. At the request of Nektar, prior to being allowed access to the Nektar Facility, Amgen shall cause each Amgen Representative who is not an employee of Amgen to execute a confidentiality agreement reasonably acceptable to Nektar obligating such Amgen Representative to maintain the confidentiality of Nektar confidential information that may be disclosed to such Amgen Representative.

(d) Facility Infrastructure. Upon Amgen's request, Nektar shall, at reasonable times, meet and discuss with Amgen the electrical power, water, cooling, heating, ventilation, specialty gases and all other common utilities and infrastructure at or supporting the Facility that could reasonably impact the quality of the Product

Manufactured at the Facility, the environment, or the health or safety of personnel who Manufacture the Product (collectively, **"Facility Infrastructure"**) and, during each such meeting (or if it is unreasonable to do so during the meeting, no later than [***] following the meeting), provide additional information (including without limitation capacities, drawings, designs, controls, and specifications) and, to Amgen's reasonable satisfaction, respond to Amgen's questions regarding the Facility Infrastructure.

ARTICLE 5
MANUFACTURING FEES

5.1 Manufacturing Fees.

. In addition to payments made pursuant to Section 3.1 and Section 3.2 hereof, in consideration for the quantity of Product that Nektar Manufactures, Releases and Delivers pursuant to the terms of this Supply Agreement and the applicable Order and that is not Rejected, Amgen shall pay to Nektar the Manufacturing Fees applicable to such quantity of Product. Notwithstanding anything to the contrary contained in this Supply Agreement, in no event shall Nektar be entitled to receive any Manufacturing Fees for charges, costs or expenses to the extent arising out of or resulting from (i) any costs or expenses incurred by Nektar or its Affiliates or payable by Amgen to remedy any error, omission or mistake of Nektar, its Affiliates or their respective subcontractors or personnel or breach of this Supply Agreement or any Order by Nektar, its Affiliates or their respective subcontractors or personnel, or (ii) any incremental or additional costs or expenses incurred by Nektar or its Affiliates or payable by Amgen to remedy any error, omission or mistake of Nektar, its Affiliates or their respective subcontractors or personnel or breach of this Supply Agreement or any Order by Nektar, its Affiliates or their respective subcontractors or personnel.

(a) Fixed Fee Component Adjustment. The Fixed Fee Component of the Manufacturing Fees shall be [***]

1. [***]
2. [***]
3. [***]
4. [***]
5. [***]

5.2 [***]. If during the period from [***] through [***] Amgen submits Orders for Product that specify that Product [***] is to be Delivered during [***], then, during [***], Nektar shall [***] that is Manufactured, Released and Delivered by Nektar and not Rejected (**"**[***]**"**). For the avoidance of doubt, the Previously Ordered Product shall not count toward the [***].

5.3 Exclusive Compensation. Other than as set forth in, and pursuant to the conditions of, Section 3.1, Section 3.2, Section 4.1, Section 5.1, and Section 5.2, Nektar shall not be entitled to any other compensation for performance hereunder including without limitation compensation for any Batch of Product that is Manufactured but not Released or Delivered by Nektar and any costs or expenses incurred by Nektar arising out of any obligations of Nektar set forth in the Quality Agreement.

ARTICLE 6
MATERIALS, WORK IN PROGRESS AND PRODUCT

6.1 Raw Materials. In addition to the requirements set forth in Section 6 of the Quality Agreement, Nektar shall permit, and shall use commercially reasonable efforts to cause its suppliers of Raw Materials to permit, Amgen to conduct audits of the facilities and quality systems of the suppliers of Raw Materials. Nektar shall promptly notify Amgen in the event that Nektar defaults, or is alleged to have defaulted, under an agreement with one or more of its suppliers of Raw Materials or a supplier of other goods or services required for the Manufacture of the Product (including without limitation suppliers of utilities to the Facility), and, without limiting any other rights or remedies available to Amgen, Amgen shall have the right, but not the obligation, to cure such default.

6.2 Raw Material Procurement. In the event Amgen elects to manufacture or have manufactured by a Third Party any portion of its needs or requirement for Product or Licensed Product, Amgen shall not be restricted from procuring Raw Materials from Third Parties, and Nektar agrees, upon request by Amgen, to supply Amgen with all requested Raw Materials required for manufacture of the Product or Licensed Product at [***] to the extent that such Raw Materials are available from Nektar's suppliers to fulfill any such requests by Amgen. Nektar will [***] to obtain or maintain the ability to resell Raw Materials to Amgen pursuant to this Section 6.2.

6.3 Required Inventory. From time-to-time during the Term, Amgen may notify (each a **"Required Inventory Notice"**) Nektar to, and if so notified and within [***] after notification Nektar shall, obtain and maintain at the Facility certain quantities and types of Raw Materials (**"Required Inventory"**). Within [***] after receipt of each Required Inventory Notice, Nektar shall submit to Amgen Nektar's good faith estimate of the cost of obtaining and maintaining at the Facility the Required Inventory that is the subject of

the Required Inventory Notice (**"Estimated Costs of Maintaining Required Inventory"**). Within [***] after Amgen's receipt of the Estimated Costs of Maintaining Required Inventory, Amgen and Nektar shall negotiate in good faith the amount to be paid by Amgen to Nektar in return for Nektar maintaining the Required Inventory, and Amgen shall only be obligated to pay Nektar in return for maintaining the Required Inventory amounts agreed to by Amgen in writing, and, if the Parties are unable to reach agreement within such [***], then the Parties shall refer the matter to an independent Third Party with expertise in sourcing and storing raw materials and mutually agreed upon by the Parties, such agreement not to be unreasonably withheld or delayed (**"Raw Materials Evaluator"**). Within [***] after referral to the Raw Materials Evaluator, Nektar shall submit to the Raw Materials Evaluator the basis for the Estimated Costs of Maintaining Required Inventory and Amgen shall submit the basis for its objection to the Estimated Costs of Maintaining Required Inventory, and the Raw Materials Evaluator shall then determine an estimated cost of obtaining and maintaining at the Facility the Required Inventory and such determination shall be binding on the Parties. The determination of the Raw Materials Evaluator shall be deemed Confidential Information hereunder. The fees and expenses of the Raw Materials Evaluator shall be borne by [***]. Nektar shall store and maintain (including without limitation rotation of inventory) the Required Inventory so that it is appropriately available for use in the Manufacturing of Product. Nektar shall have the right to use in Manufacturing the Required Inventory provided that Nektar restock such Raw Materials so as to always maintain the Required Inventory in the quantities specified in each Required Inventory Notice. Upon and pursuant to Amgen's written request, at Amgen's cost including the Raw Materials Direct Costs, Nektar shall ship to Amgen or its designee Raw Materials maintained in the Required Inventory and, within [***] thereafter, Nektar shall replenish the Required Inventory. Upon request of Amgen at any time, Nektar will promptly notify Amgen of the quantity of each Raw Material held by Nektar for Amgen at the Facility.

6.4 Segregation of Amgen Materials. Nektar shall keep located at the Facility, identified for Amgen, and segregated from other raw materials, works in progress, or finished products the Raw Materials, work in progress in the Manufacturing and, prior to Delivery to Amgen, Product (collectively, **"Amgen Materials"**). Nektar hereby grants to Amgen an immediate, present, irrevocable and paid up right and easement to enter the Facility and take possession and control of the Amgen Materials. [***]. In the event, and to the extent, that Amgen takes possession and control of these segregated Raw Materials, works in progress, or Product, Amgen shall [***], for such segregated Raw Materials and for the Raw Materials used in the Manufacturing of the works in progress.

ARTICLE 7
MANUFACTURING LINE

7.1 Grant of Security Interest in the Manufacturing Line. Nektar hereby grants to Amgen Inc., its successors and assigns a valid first lien on and security interest in the Manufacturing Line. Nektar agrees to execute such further instruments and documents of security in form and substance reasonably satisfactory to Amgen Inc. as to the security interest herein granted by Nektar in favor of Amgen Inc. including without limitation a financing statement under the Uniform Commercial Code covering the Manufacturing Line.

7.2 Easement and Option to Purchase Manufacturing Line. In consideration of the Exclusive Suite/Guarantee Payment set forth in Section 3.1, above, Nektar hereby grants to Amgen Inc. the following: (i) an immediate, present, irrevocable and fully paid up option which Amgen Inc. may exercise in its sole discretion to purchase the Manufacturing Line (**"Purchase Option"**), and (ii) an easement in the form attached hereto as Exhibit 4 (the "**Easement**"), which Easement provides Amgen Inc., among other things, with an immediate right to enter and access the portion of the Facility where the Manufacturing Suite is located, and an immediate, present, irrevocable and fully paid up right and license to use and operate at will the Manufacturing Line and Manufacturing Suite, regardless of whether Amgen Inc. exercises the Purchase Option. Amgen Inc.'s right to use the Manufacturing Suite and operate the Manufacturing Line include without limitation use of power, water, cooling, heating, ventilation, telecommunications and all other common utilities and services and access to all other areas of, and equipment at, the Facility that are reasonably necessary or required for the purpose of manufacturing, releasing and delivering the Product. [***] In the event that Amgen Inc. exercises the Purchase Option, [***] within [***] after such exercise, [***].

7.3 Operation of Manufacturing Line Purchased by Amgen. In the event that Amgen Inc. exercises the Purchase Option, Amgen Inc. may elect, in its sole discretion, to (i) operate the Manufacturing Line itself; (ii) sublicense, pursuant to the License Agreement, to any Third Party the right to Manufacture Product or Licensed Products and permit such Third Party to operate the Manufacturing Line without any restriction whatsoever, whether set forth in this Supply Agreement or otherwise, including without limitation in Section 3.1 or Section 5.3(c) of the License Agreement; or (iii) permit Nektar to continue to operate the Manufacturing Line under the terms and conditions of this Supply Agreement (and, in the case of this subsection (iii), Nektar will be entitled to receive compensation pursuant to Section 3.1, the Additional Guarantee Payments pursuant to Section 3.2 without application of the Reduced Additional Guarantee Payment, Agreed Change Costs pursuant to Section 4.1, Manufacturing Fees pursuant to Section 5.1, and the [***] pursuant to Section 5.2).

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

7.4 Amgen Inc.'s Election to Operate the Manufacturing Line. Amgen Inc. shall notify Nektar of its election to itself, or through a Third Party, manufacture, release, and deliver Product at the Facility pursuant to the rights set forth in this Agreement (the date of such notice, the **"Operation Election Date"**). Following the Operation Election Date, Amgen Inc. (or its designated Third Party) will use the Manufacturing Suite and Manufacturing Line solely for and in support of the manufacture, release and delivery of the Product and Amgen shall be entitled, but not obligated, to terminate the Product supply portion of this Supply Agreement without liability, fee, expense, cost reimbursement, penalty or other amounts of any type or kind to Amgen; provided however, that Amgen Inc. will still be responsible for payment of the following: (i) the Option Price if Amgen exercises the Purchase Option; (ii) as applicable, costs as set forth in Section 6.4; (iii) any accrued payments that are due and payable to Nektar hereunder as of the Operation Election Date (including, as applicable, payments provided for in Section 3.2, Section 3.3, Section 4.1, Section 5.1 and Section 5.2); and (iv) as applicable, Additional Guarantee Payment(s) or Reduced Guarantee Payment(s) pursuant to Section 3.2.

(a) [***] after the Operation Election Date, without limiting the Purchase Option, Easement, and license set forth in Section 7.2 and operation and access rights set forth in Section 7.3, Nektar shall notify Amgen of the areas within the Facility for use by Amgen Inc. (or its designated Third Party) for the following: (i) the shipping and receiving dock area of the Facility; (ii) storage of consumables, critical spares, quarantined and released Raw Materials and packaging for use in the manufacture of Product; (iii) storage of work in progress and quarantined and released Product; (iv) areas for testing, dispensing, packaging and storing retained or other samples; (v) storage of solid and liquid waste, including hazardous waste, generated by Amgen Inc. (or its designated Third Party) through the manufacture of Product; (vi) break rooms, lavatories, and parking areas for use by Amgen Inc. (or its designated Third Party) employees while at the Facility; and (vii) directions for accessing the Manufacturing Suite from the exterior of the Facility.

(b) After the Operation Election Date, (i) Amgen Inc. will, and will cause its employees and staff of its designated Third Party manufacturer when present at the Facility to, comply with written instructions of Nektar of which (A) Amgen Inc. has been notified in advance and (B) are reasonably necessary for Nektar to operate the Facility in a reasonably orderly manner and in compliance with Applicable Laws; and (ii) Amgen Inc. shall, and as applicable it shall cause its Third Party manufacturer to, comply with all national, state and local laws, statutes, rules, ordinances, and regulations applicable to Amgen Inc.'s (or its Third Party manufacturer's) performance of manufacturing, release and delivery of the Product at the Facility.

ARTICLE 8
QUALITY

8.1 Quality Agreement. The Quality Agreement attached hereto as Exhibit 1 shall apply hereto and is incorporated herein by reference. On or before August 23, 2010, Nektar submitted a draft Nektar Policy for Quality Risk Management to Amgen and, thereafter, Amgen provided input and accepted as adequate the Nektar Policy for Quality Risk Management. Nektar shall implement the Nektar Global Policy — Quality Assurance, Quality Risk Management, 980 14522 Rev.00, effective October 5, 2010 within [***] after the Effective Date, but in no event later than [***]. Nektar shall, [***], do all that is necessary or required to perform the activities and meet the deliverables set forth in the Audit Resolutions Finding Plan. Nektar shall do all that is necessary or required to implement request for change number RFC-2010 (approved by Amgen on October 14, 2010) on or before November 15, 2010. [***] Nektar shall, [***], do all that is necessary or required to perform the activities, cooperate and communicate with Amgen, and provide to Amgen the deliverables, set forth in Exhibit 6 pursuant to the schedule set forth therein.

8.2 Rejection. Amgen shall have [***] following the Delivery Date of each Batch (or portion thereof) of Product to reject such Product based on the following: [***]. Any such rejection will be given by written notice to Nektar specifying the manner in which all or part of such Batch of Product fails to meet the foregoing requirements or warranty(ies) (**"Rejection Notice"**). Within [***] after receipt of a Rejection Notice, if the basis for the Rejection Notice is anything other than analytical results obtained from methods set forth in the Specifications and if Nektar in good faith disagrees with the basis for the Rejection Notice, Nektar shall notify Amgen of the basis for its position and the Parties shall, within [***] of Amgen's receipt of such notice from Nektar, attempt to reach agreement on whether pursuant to this Section 8.2 Amgen was entitled to reject the Product. If the Parties are unable to reach agreement within such [***], then the Parties shall refer the matter to an independent Third Party with expertise in manufacturing pursuant to ICH Q7 and mutually agreed upon by the Parties, such agreement not to be unreasonably withheld or delayed (**"Rejection Evaluator"**). Within [***] after referral to the Rejection Evaluator, Nektar shall submit to the Rejection Evaluator the applicable Amgen-Approved Manufacturing Documents and the applicable Certificate(s) of Analysis and Batch Record and Amgen shall submit to the Rejection Evaluator the applicable Rejection Notice and Section 2.1(l), Section 2.1(n), and Section 2.1(o) of this Supply Agreement (the **"Evaluation Documents"**). Amgen shall cause the Rejection Evaluator to determine, based on the Evaluation Documents and the Rejection Evaluator's expertise in manufacturing pursuant to ICH Q7, whether pursuant to this Section 8.2 Amgen was entitled to reject the Product and such determination shall be binding on the Parties. The determination of the Rejection Evaluator shall be deemed Confidential Information hereunder. The fees and expenses of the Rejection Evaluator

shall be borne by the Party against whom the Rejection Evaluator's determination is made. For each Batch (or portion thereof) of the Product that is Rejected, Amgen shall, at Nektar's direction (not to be unreasonably withheld or delayed) and expense, either destroy or return to Nektar such Product. Notwithstanding that certain rights and remedies are set forth in this Supply Agreement with respect to a Supply Default, at Amgen's written request, Nektar shall Manufacture, Release and Deliver, at Nektar's own cost and expense provided that Amgen has paid for the non-conforming Batch of Product, a Batch of Product (each a **"Replacement Batch"**) for each Batch of Product that was the subject of such Rejection Notice, and each Replacement Batch shall be subject to the rejection process set forth in this Section 8.2. The Delivery Schedule Date and In-Progress Delivery Schedule Date for each Replacement Batch shall be determined pursuant to Section 4.5(a). For the avoidance of doubt, if a Replacement Batch is Rejected, then in addition to other remedies, at Amgen's sole option and direction, Nektar shall either (a) Manufacture a new Batch of Product at Nektar's own cost and expense provided that Amgen has paid for the non-conforming Batch of Product or (b) refund to Amgen all sums paid by Amgen to Nektar in connection with the non-conforming Batch of Product. [***]

ARTICLE 9
INVOICING AND PAYMENT

9.1 Invoicing. Nektar shall, no later than [***] after the Delivery Date for each Batch of Product that is Manufactured, Released and Delivered by Nektar and not Rejected, submit to Amgen a written invoice for the Manufacturing Fees and, if applicable, [***] associated with such Product. Nektar shall submit such invoice for payment to the following address:

[***]

Amgen may change, by written notice to Nektar, the address or method for submitting invoices hereunder. Each invoice shall identify each Batch of Product that is the subject of the invoice, the total Manufacturing Fees, [***], if any, and the following:

(i) The Amgen contract number for this Supply Agreement;

(ii) Order number;

(iii) Description of those portions of the Order completed; and

(iv) If applicable, a detailed, line-itemed list of all of the costs included in the Raw Materials Direct Costs.

In the event that Amgen reasonably requests additional information for any amounts stated in an invoice, Nektar shall submit to Amgen the additional information requested within [***] after receipt of each such request. Within [***] after receipt of an invoice, Amgen shall notify Nektar of any amounts disputed by Amgen that are stated in an invoice and the basis for such dispute, such invoice shall be deemed withdrawn by Nektar, and, upon receipt of such notification, Nektar shall submit a revised invoice stating only undisputed amounts (each, a **"Correct Invoice"**). Upon resolution of disputed amounts, Nektar shall submit an invoice pursuant to this Article 9 for that portion of the disputed amounts, if any, that the Parties mutually agree are due and no longer in dispute.

9.2 Payment. In the case of an invoice that is undisputed by Amgen, Amgen will pay Nektar the amount of the invoice within [***] after receipt of such invoice. In the case of an invoice that was disputed by Amgen, following receipt of a Correct Invoice, Amgen will pay Nektar the amounts stated in such Correct Invoice within [***] after receipt of such. Any amounts stated in an undisputed invoice or a Correct Invoice that remain unpaid after such sixty (60) days shall accrue interest until paid at [***]. Payment by Amgen does not constitute acceptance of Nektar's performance hereunder or an admission of liability.

ARTICLE 10
CONFIDENTIALITY

10.1 Confidentiality. Except to the extent expressly authorized by this Supply Agreement or otherwise agreed in writing by the Parties, the Parties agree that, for the term of this Supply Agreement and for [***] thereafter, the Receiving Party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in this Supply Agreement any Confidential Information of the Disclosing Party.

10.2 Authorized Disclosure.

(a) Notwithstanding anything to the contrary contained in this Supply Agreement, a Receiving Party may disclose Confidential Information of the Disclosing Party to the extent required, as advised by counsel, (i) in response to a valid order of a court or other governmental body or as required by or to comply with Applicable Laws, (ii) with respect to Amgen or its Affiliates, filing or prosecuting Patent Rights for Amgen Products, or (iii) prosecuting or defending litigation against Third Parties; provided however, that the Receiving Party shall advise the Disclosing Party in advance of such disclosure to the extent practicable and permissible by such order or Applicable Laws, shall reasonably cooperate with the Disclosing Party, if requested, in seeking an

appropriate protective order or other remedy, and shall otherwise continue to perform its obligations of confidentiality set forth in this Supply Agreement.

(b) Notwithstanding anything to the contrary contained in this Supply Agreement, Amgen or its Affiliates may disclose Confidential Information of Nektar to the extent such disclosure is reasonably necessary, as advised by counsel, under the following circumstances:

(i) regulatory filings for the Product, Licensed Product, or Amgen Products; or

(ii) conducting pre-clinical or clinical trials of Amgen Products.

In the event Amgen or one of its Affiliates intends to disclose Confidential Information of Nektar pursuant to this Section 10.2(b), Amgen will, except where impracticable, give reasonable advance notice to Nektar of such disclosure and use reasonable efforts to secure confidential treatment of such Confidential Information.

(c) Notwithstanding anything to the contrary contained in this Supply Agreement, Amgen or its Affiliates may disclose Confidential Information of Nektar to the extent such disclosure is reasonably necessary to [***]. Amgen shall, except where impracticable, give reasonable advance notice of such disclosures to Nektar and shall use reasonable efforts to secure confidential treatment of such Confidential Information.

(d) Notwithstanding anything to the contrary contained in this Supply Agreement, Confidential Information of Nektar received by Amgen hereunder may be disclosed by Amgen to [***].

ARTICLE 11
TERMINATION AND TERM

11.1 Termination for Convenience. Amgen, upon notice to Nektar, may terminate for convenience, without cause, this Supply Agreement in its entirety. Such termination shall not relieve Amgen of its obligations hereunder to pay Nektar the Exclusive Suite/Guarantee Payment, undisputed amounts on account of Manufacturing Fees and, if applicable, [***], Additional Guarantee Payments, and Reduced Additional Guarantee Payments that are due and owing on the date of such termination. After receipt by Nektar of Amgen's notice of termination pursuant to this Section 11.1, other than fulfilling Orders at that time pending, Nektar shall have no obligation to supply Product to Amgen under this Supply Agreement and shall be released from supply guarantees set forth in this Supply Agreement.

11.2 Nektar Default. In the event Nektar shall default in the performance of any material obligation hereunder, Amgen shall give Nektar notice of the default (**"Notice of**

Default") specifying the nature of the default and requesting that Nektar cure such default within [***]; provided however, except as expressly set forth in the definition of Trigger Event, there shall be no cure period for any such default in performance that constitutes a Trigger Event. If Nektar shall dispute the existence, extent or nature of the default set forth in the Notice of Default, the Parties shall use good faith efforts to resolve the dispute. Nektar defaults shall include without limitation Nektar's failure, refusal or inability to (i) supply Product in quantities requested hereunder or (ii) Manufacture, Release, or Deliver Product in accordance with the terms of this Supply Agreement including without limitation the Orders, the Quality Agreement, ICH Q7, or the Specifications.

11.3 Amgen Default. In the event Amgen shall default in the performance of any material obligation hereunder, Nektar shall give Amgen a Notice of Default specifying the nature of the default and requesting that Amgen cure such default within [***]. If Amgen shall dispute the existence, extent or nature of the default set forth in the Notice of Default, the Parties shall use good faith efforts to resolve the dispute. In the event Amgen shall fail to cure such default within [***] of receipt of the Notice of Default, Nektar shall be entitled to pursue legal remedy for such default; provided however, that Nektar shall not have the right to terminate this Supply Agreement based on a default by Amgen.

11.4 Insolvency. Either Amgen or Nektar may, in addition to any other remedies available to it by law or in equity, terminate this Supply Agreement, in whole or in part, by written notice to the other Party (the **"Insolvent Party"**) in the event the Insolvent Party shall have become insolvent or bankrupt, or shall have made an assignment for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the Insolvent Party or for all or a substantial part of its property, or any case or proceeding shall have been commenced or other action taken by or against the Insolvent Party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect, or there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of the Insolvent Party, and any such event shall have continued for [***] undismissed, unbonded and undischarged.

11.5 Term. Unless earlier terminated pursuant to its terms, this Supply Agreement shall terminate on the tenth anniversary of the Effective Date (the **"Term"**); provided, however, that this Supply Agreement shall remain in effect with respect to any then-pending Order(s) issued under this Supply Agreement until completion of performance thereunder unless terminated by Amgen for cause as provided in Section 11.2 or Section 11.4 and instructed by Amgen that such then-pending Order(s) are also

terminated. Expiration of the Term shall not limit any warranty or other obligations of a Party which either by their express terms or by their nature would survive the expiration of the Term.

ARTICLE 12
MISCELLANEOUS PROVISIONS

12.1 Debarred Persons. Nektar will not use any Debarred Person in performing its obligations under this Supply Agreement. Nektar will promptly notify Amgen in writing if any Person who is performing the Manufacturing is or becomes a Debarred Person or if any action, suit, claim, investigation, or other legal or administrative proceeding is pending or, to the best of Nektar's knowledge, threatened, that would make any Person performing the Manufacturing a Debarred Person or would preclude Nektar from performing its obligations under this Supply Agreement.

12.2 Right to Set-off. Each Party has the right, in addition to any other right or remedy it might have under this Supply Agreement, to set-off against or withhold amounts otherwise due and payable to the other Party under this Supply Agreement: (i) the full or partial amount of all damages, losses, costs, and expenses incurred by such Party resulting from the other Party's breach of or other failure to perform under this Supply Agreement; and (ii) the full or partial amount of any other amounts due and payable to such Party by the other Party including without limitation those amounts arising under this Supply Agreement. The foregoing right of set-off shall not prevent a Party from pursuing a legal remedy or judicial determination that such right of set-off was not properly exercised.

12.3 No Exclusivity or Minimum. Nothing contained herein shall (i) obligate Amgen to any exclusive relationship with Nektar, (ii) restrict or preclude Amgen from contracting with any competitor of Nektar, or (iii) obligate Amgen to purchase any minimum amount of Product from Nektar. Nothing contained herein shall (i) with the exception of exclusive use of the Manufacturing Suite and Manufacturing Line as set forth in Section 3.1, obligate Nektar to any exclusive relationship with Amgen or (ii) restrict or preclude Nektar from contracting with any competitor of Amgen.

12.4 Precedence. In the event of a conflict between (i) the terms and conditions set forth in this Supply Agreement or any Order and (ii) the terms and conditions set forth in any document (including without limitation Nektar's acknowledgments of Orders or Nektar's invoices) issued in connection with this Supply Agreement or any Order, the terms and conditions set forth in this Supply Agreement and, as applicable, an Order shall control. In the event of a conflict between the terms and conditions of this Supply Agreement and the terms and conditions of an Order, the terms and conditions of this Supply Agreement

shall control. In the event of a conflict between the terms and conditions of this Supply Agreement and any exhibit or attachment to this Supply Agreement (including without limitation the Quality Agreement), the terms and conditions of this Supply Agreement shall control.

12.5 Recordkeeping and Audit.

(a) Nektar Obligations. Nektar shall maintain complete, accurate and correct books, records and accounts relating to the performance of Manufacturing, Releasing and Delivering including without limitation those relating to the Raw Materials Direct Costs and performance obligations set forth in the Quality Agreement. All books, records and accounts relating to financial matters must be in a format consistent with GAAP. Nektar shall maintain such books, records and accounts for a period of [***] after the expiration or termination of this Supply Agreement. Without limiting and in addition to the terms of the Quality Agreement regarding documentation and recordkeeping, upon Amgen's reasonable request, Nektar shall make available to Amgen and its representatives such books, records and accounts for copy, review and audit at such reasonable times and locations reasonably designated by Nektar during the Term and [***] thereafter. Notwithstanding anything to the contrary contained herein, all costs associated with such maintenance of Nektar's books, records and accounts shall be at Nektar's sole expense and shall not be reimbursable by Amgen hereunder. Should Nektar fail to maintain such books, records or accounts as required hereunder, Nektar shall provide its good faith assistance to, and reimburse Amgen for its reasonable costs to, recreate such books, records and accounts. In the event that as part of an audit Amgen or its representatives determine that, given the terms of this Supply Agreement, Amgen overpaid Nektar, then, unless the subject of a good faith dispute (in which case Nektar shall notify Amgen of, and the basis for, such good faith dispute and such dispute shall be subject to Section 12.18), Nektar shall repay to Amgen the overpaid amount within [***] after Amgen's written demand therefor. However, Nektar shall have the right to respond to Amgen's audit findings within [***] following notice of such findings. In the event that as part of an audit Amgen or its representatives determine that, given the terms of this Supply Agreement, Amgen underpaid Nektar, Amgen shall promptly notify Nektar of such underpayment and pay to Nektar the amount of the underpayment within [***] after the date of such notification. Amgen's performance of an audit and Nektar's repayment of any overpaid amounts shall not limit any of Amgen's rights or remedies with respect to such overpaid amounts or Nektar's performance of its obligations under this Supply Agreement, all of which rights and remedies are reserved by Amgen. The audit rights specified in this section are in addition to any other audit rights provided for in this Supply Agreement (including without limitation those provided for in the Quality Agreement).

(b) Amgen Obligations. Only after the Operation Election Date and only with respect to the quantity of the Amgen Manufactured Product, Amgen shall maintain, or cause to be maintained, complete and accurate records of the quantity of the Amgen Manufactured Product (collectively, the **"Amgen Records"**). Amgen shall maintain the Amgen Records for a period of no less than [***] after the expiration or termination of this Supply Agreement. Amgen shall make the Amgen Records available to Nektar for copy, review and audit at such reasonable times and locations reasonably designated by Amgen during the Term and [***] thereafter. Notwithstanding anything to the contrary contained herein, all costs associated with such maintenance of the Amgen Records shall be at Amgen's sole expense and shall not be reimbursable by Nektar hereunder. Should Amgen fail to maintain the Amgen Records as required hereunder, Amgen shall provide its good faith assistance to, and reimburse Nektar for its reasonable costs to, recreate such books, records and accounts. In the event that as part of an audit Nektar determines that given the terms of Section 3.2 Amgen underpaid Nektar, unless the subject of a good faith dispute (in which case Amgen shall notify Nektar of, and the basis for, such good faith dispute and such dispute shall be subject to Section 12.18), then Amgen shall pay to Nektar the underpaid amount upon Nektar's written demand therefor within [***] after Nektar's written demand therefor.

12.6 Assignment. Neither this Supply Agreement nor any interest hereunder shall be assignable by Nektar or Amgen without the prior written consent of the other Party; provided however, that this Supply Agreement may be assigned by either Nektar or Amgen (the **"Assigning Party"**) in connection with a transaction that is a Change of Control provided that within [***] after the closing of each such transaction the successor or surviving Person delivers to the other Party a written commitment signed by the successor or surviving Person stating that it shall comply with all of the terms, conditions and performance obligations under this Supply Agreement. This Supply Agreement shall be binding upon the successors and permitted assigns of each Party and the name of a Party appearing herein shall 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 Supply Agreement. Any assignment not in accordance with this Section 12.6 shall be void.

12.7 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate or reasonably requested by the other Party in order to carry out the purposes and intent of this Supply Agreement and to evidence, perfect or otherwise confirm its rights hereunder. Amgen will have the right to exercise its rights and perform its obligations hereunder through its Affiliates; provided that Amgen will be responsible for its Affiliates' performance hereunder.

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

12.8 No Trademark Rights. Except as expressly otherwise authorized herein, no right, express or implied, is granted by this Supply Agreement to use in any manner the name "Amgen" or "Nektar" or any other trademark, service mark or trade name of the other Party or any of its respective Affiliates in connection with the performance of this Supply Agreement.

12.9 Disclosure of Supply Agreement and Public Announcements. The Parties agree that the contents of this Supply Agreement shall be considered Confidential Information of the Parties. Notwithstanding the foregoing and Section 10.1, above, each Party shall have the right to disclose in confidence the material terms of this Supply Agreement to Third Parties retained by such Party to perform legal, accounting or similar advisory services who have a need to know such terms in order to provide such advisory services provided that such Third Parties are subject to written obligations of confidentiality at least as stringent as those contained in this Supply Agreement. Nektar shall not make any public announcement about the Supply Agreement, or any part thereof, or its business relationship with Amgen or one or more of its Affiliates (collectively, **"Announcement"**) unless prior written consent is obtained from Amgen, [***]; provided however, if and to the extent, based on consultation with outside legal counsel, Nektar is obligated pursuant to Applicable Law or the rules of a securities exchange on which Nektar is listed (**"Applicable Securities Rules"**) to make an Announcement or disclose any of the terms of this Supply Agreement (each a **"Mandatory Disclosure"**), then, as much in advance of each such Mandatory Disclosure as practicable, Nektar shall (i) notify Amgen of the proposed content of the Mandatory Disclosure, (ii) give Amgen reasonable opportunity to review and comment on the proposed content of the Mandatory Disclosure, and (iii) in good faith, consider and revise the content of the Mandatory Disclosure based on comments received from Amgen and submit the revised Mandatory Disclosure to Amgen for review and consent, such consent not to be unreasonably withhold, delay or conditioned. Nektar shall include in each Mandatory Disclosure only the information required to be disclosed by Applicable Law or Applicable Securities Rules, and, to the extent possible, Nektar shall seek confidential treatment of each Mandatory Disclosure.

12.10 Notices. All notices and other communications by a Party to the other Party hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt confirmed by the other Party), mailed by registered or certified mail (return receipt requested) postage prepaid, or sent by courier service, at the following addresses for such other Party (or at such other address for a Party as shall be specified by like notice):

If to Amgen, addressed to:

[***]

With a copy to:

[***]

If to Nektar, addressed to:

[***]

12.11 Amendment. No amendment, modification or supplement of any provision of this Supply Agreement shall be valid or effective unless made in writing and signed by a duly authorized representative of Nektar, Amgen Inc. and Amgen Manufacturing, Limited.

12.12 Waiver. No provision of this Supply Agreement shall be waived by any act, omission or knowledge of a Party or its Affiliates, agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party.

12.13 Counterparts. This Supply Agreement may be executed in any number of counterparts, each of which need not contain the signature of more than one Party but all such counterparts taken together shall constitute one and the same agreement. An executed signature page of this Supply Agreement delivered by facsimile transmission or by electronic mail in "portable document format" (".pdf") shall be as effective as an original executed signature page.

12.14 Descriptive Headings. The descriptive headings of this Supply Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Supply Agreement.

12.15 Governing Law. This Supply Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of California and the Parties hereby submit to the jurisdiction of the California courts, both state and federal.

12.16 Severability. Whenever possible, each provision of this Supply Agreement will be interpreted in such manner as to be effective and valid under Applicable Laws, but if any provision of this Supply Agreement is held to be prohibited by or invalid under Applicable Laws, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Supply Agreement. In the event that any one or more of the provisions contained in this Supply Agreement is held invalid, illegal or unenforceable, the Parties shall negotiate in good faith with a view to the substitution therefor of a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the original intent and purpose of such invalid

provision. To the fullest extent permitted by Applicable Law, the Parties waive any provision of Applicable Law that would render any provision in this Supply Agreement invalid, illegal or unenforceable in any respect. The provisions of this Supply Agreement shall be liberally construed in order to carry out the intentions of the Parties hereto as nearly as may be possible.

12.17 Entire Agreement of the Parties. This Supply Agreement constitutes and contains the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understanding and agreements, whether oral or written, between the Parties respecting the subject matter thereof.

12.18 Dispute Resolution. As set forth in Exhibit 9, the Parties have designated representatives from each major functional area related to the Manufacture, Release and Delivery of Product and supplier relationship management (each a **"Representative"**). Each Representative shall be selected based on their expertise and experience in the functional area of expertise identified in Exhibit 9 that they represent. The initial Representatives are listed in Exhibit 9. A Party may change, at any time and from time to time, any or all of its Representatives upon prior written notice to the other Party. No Representative, including without limitation by their actions, decisions, or meeting minutes, shall have the authority to amend or modify the terms and provisions of this Supply Agreement. Any and all amendments or modifications of this Supply Agreement may be made only as set forth in Section 12.11. The Parties recognize that a *bona fide* dispute as to certain matters related to Manufacturing, Releasing and Delivering the Product or a Party's rights or remedies under this Supply Agreement may arise from time to time. In the event of the occurrence of such a dispute, Representatives from each Party in each area of expertise relevant to such dispute shall undertake good faith efforts to resolve any such dispute in good faith. In the event the Representatives shall be unable to resolve any such dispute, a Representative may, but shall not be obligated to, have such dispute referred to each Party's Representative who is the executive sponsor and, after such referral, the executive sponsors shall undertake good faith efforts to resolve any such dispute in good faith. In the event the dispute is not resolved by the executive sponsors, then by written notice to the other Party, a Party may, but shall not be obligated to, have such dispute referred to Amgen's Senior Vice President of Manufacturing and, if the dispute is related to business (as opposed to technical) terms of this Supply Agreement, Amgen's Vice President, Global Strategic Sourcing & Chief Procurement Officer, and Nektar's President for attempted resolution by good faith negotiations within [***], or such other period as may be agreed to by the Parties, after such written notice is received. On a dispute-by-dispute basis, each executive sponsor, Amgen's Senior Vice President of Manufacturing, Amgen's Vice President, Global Strategic Sourcing & Chief Procurement Officer, and Nektar's President shall be entitled to designate another within

their company to fulfill their obligations under this Section. Notwithstanding the dispute resolution escalation path set forth in this Section 12.18, each Party shall have the right to pursue any and all remedies available at law or in equity.

12.19 Remedies Cumulative. The remedies afforded to each Party under this Supply Agreement are not exclusive and are in addition to any other rights and remedies available to each Party under this Supply Agreement or otherwise and any other rights and remedies now or hereafter provided by law or at equity.

12.20 Independent Contractors. The relationship between Amgen and Nektar created by this Supply Agreement is one of independent contractors and neither Nektar nor Amgen shall have the power or authority to bind or obligate the other except as expressly set forth in this Supply Agreement.

12.21 Force Majeure. A Party (the **"Affected Party"**) shall not be liable to the other Party for losses or damages under this Supply Agreement, and the other Party shall not have the right to terminate this Supply Agreement for any default or delay in performance under this Supply Agreement by the Affected Party, that is directly attributable to a Force Majeure Event provided that the Affected Party shall (i) have given prompt notice by the most expedient method possible (to be promptly confirmed in writing) to the other Party of the occurrence of the Force Majeure Event describing at a reasonable level of detail the circumstances causing the default or delay in performance, (ii) commence, and continue to take, reasonable and diligent actions to recommence performance of such obligations or cure such default whenever and to whatever extent possible following the Force Majeure Event, and (iii) only be excused from such liability, and the other Party shall only be so restricted from terminating this Supply Agreement for such failure to perform, for so long as such Force Majeure Event requires prior to recommencement of performance. In the event of a Force Majeure Event, to the extent that resources available to Nektar are limited, Nektar shall preferentially allocate such limited resources to Amgen.

12.22 Specific Performance. Each Party hereby acknowledges and agrees that there can be no adequate or meaningful remedy at law to compensate Amgen for Nektar's breach of its obligations hereunder; that any such breach will result in irreparable harm to Amgen that would be difficult to measure and calculate; and, therefore, that upon any such breach of Nektar's obligations, Amgen shall be entitled to specific performance by Nektar without the necessity of proving actual damages or of posting a bond, and, although Amgen shall not be obligated to seek specific performance by Nektar, if Amgen seeks and is not granted specific performance, Amgen will be entitled to full remedies available at law or in equity, which remedies may include without limitation direct, indirect, special, incidental, exemplary, consequential, lost profits and punitive damages.

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

12.23 Equal Opportunity/Affirmative Action. Nektar agrees that it shall perform its obligations under this Supply Agreement in full compliance the Equal Opportunity Clauses set forth in 41 C.F.R. §§ 60-1.4(a), 60-250.5(a) and 60-741.5(a) and the employee notice and related obligations found at 29 C.F.R. Part 471, Appendix A to Subpart A, Title VII of the Civil Rights Act of 1964; Sections (1) and (3) of Executive Order No. 11625 relating to the promotion of Minority Business Enterprises; Americans with Disabilities Act; Age Discrimination in Employment Act; Fair Labor Standards Act; Family Medical Leave Act; and all corresponding implementing rules and regulations, all of which, including without limitation the contract clauses required and regulations promulgated thereunder, are incorporated herein by reference.

12.24 Consolidation. To the extent feasible, for each notice, request, Order, consent or agreement specified or provided for hereunder, such notice, request, Order, consent or agreement may be issued or made by either Amgen Inc. or Amgen Manufacturing, Limited, and each such notice, request, Order, consent or agreement shall be binding on both Amgen Inc. and Amgen Manufacturing, Limited. To the extent that Amgen is obligated to make one or more payments to Nektar hereunder, a payment by Amgen Inc. or Amgen Manufacturing, Limited shall satisfy such payment obligation.

[Signature Page Follows]

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

IN WITNESS WHEREOF, the Parties hereto have executed this Supply, Dedicated Suite and Manufacturing Guarantee Agreement.

AMGEN INC.

Signature: [***]

Printed Name: [***]

Title: [***]

NEKTAR THERAPEUTICS

Signature: [***]

Printed Name: [***]

Title: [***]

AMGEN MANUFACTURING, LIMITED

Signature: [***]

Printed Name: [***]

Title: [***]

Subsidiaries of Nektar Therapeutics*

Name	Jurisdiction of Incorporation or Organization
Nektar Therapeutics UK, Ltd.	United Kingdom
Nektar Therapeutics (India) Pvt. Ltd	India

* Includes subsidiaries that do not fall under the definition of “Significant Subsidiary” as defined under Rule 1-02(w) of Regulation S-X.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-3 Nos. 333-54080, 333-108859, 333-120009, 333-67340, 333-130591 and 333-171747) of Nektar Therapeutics; and

(2) Registration Statements (Form S-8 Nos. 333-07969, 333-59735, 333-65919, 333-74669, 333-32788, 333-54078, 333-55032, 333-67342, 333-71936, 333-76638, 333-98321, 333-103040, 333-117975, 333-136498, 333-145259, 333-153106 and 333-170371) pertaining to the amended and restated 1994 Equity Incentive Plan, the 1998 Non-Officer Equity Incentive Plan, the 2000 Non-Officer Equity Incentive Plan, the 401(k) Retirement Plan, the Employee Stock Purchase Plan, the 2000 Equity Incentive Plan, the 2008 Equity Incentive Plan, the Bradford Particle Design plc Share Option Schemes, and the Shearwater Corporation 1996 Nonqualified Stock Option Plan, of Nektar Therapeutics;

of our reports dated March 1, 2011, with respect to the consolidated financial statements and schedule of Nektar Therapeutics and the effectiveness of internal control over financial reporting of Nektar Therapeutics included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Palo Alto, California
March 1, 2011

Exhibit 31.1

CERTIFICATIONS

I, Howard W. Robin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nektar Therapeutics for the year ended December 31, 2010;

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 my 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 my 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: March 1, 2011

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

Exhibit 31.2

CERTIFICATIONS

I, John Nicholson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nektar Therapeutics for the year ended December 31, 2010;

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 my 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 my 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: March 1, 2011

/s/ John Nicholson
John Nicholson
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 John Nicholson, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K, for the year ended December 31, 2010, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Annual Report.

Dated: March 1, 2011

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

/s/ John Nicholson
John Nicholson
Senior Vice President and Chief Financial Officer

* This certification accompanies the Annual Report on Form 10-K, 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-K), irrespective of any general incorporation language contained in such filing.