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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission File Number: 0-24006

NEKTAR THERAPEUTICS
(Exact name of registrant as specified in its charter)

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

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

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

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

The number of outstanding shares of the registrant's Common Stock, $0.0001 par value, was 114,611,326 on April 27, 2012.

NEKTAR THERAPEUTICS
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Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (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 quarterly report on Form 10-Q, 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), statements related to potential capital raising activities, 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 II, Item 1A “Risk Factors” below and for the reasons described elsewhere in this quarterly report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations. Except where the context otherwise requires, in this quarterly report on Form 10-Q, the “Company,” “Nektar,” “we,” “us,” and “our” refer to Nektar Therapeutics, a Delaware corporation, and, where appropriate, its subsidiaries.

Trademarks

The Nektar brand and product names, including but not limited to Nektar®, contained in this document are trademarks, 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: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements—Unaudited:

NEKTAR THERAPEUTICS

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

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 148,485	$ 15,312
Short-term investments	233,624	225,856
Accounts receivable	10,803	4,938
Inventory	14,108	12,656
Other current assets	13,634	17,944
Total current assets	420,654	276,706
Long-term investments	116,732	173,768
Property and equipment, net	75,557	78,576
Goodwill	76,501	76,501
Other assets	5,345	999
Total assets	$ 694,789	$ 606,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,761	$ 3,019
Accrued compensation	8,187	12,807
Accrued expenses	7,759	6,669
Accrued clinical trial expenses	12,726	11,953
Deferred revenue, current portion	20,007	19,643
Convertible subordinated notes	214,955	214,955
Other current liabilities	5,358	6,486
Total current liabilities	270,753	275,532
Capital lease obligations, less current portion	13,890	14,582
Liability related to sale of future royalties	125,785	—
Deferred revenue, less current portion	111,050	108,188
Other long-term liabilities	10,824	10,437
Total liabilities	532,302	408,739
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 10,000 shares authorized, $0.0001 par value; 3,100 shares designated Series A and no shares issued or outstanding at December 31, 2011; no shares authorized, issued or outstanding at March 31, 2012	—	—
Common stock, $0.0001 par value; 300,000 authorized; 114,591 shares and 114,485 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	11	11
Capital in excess of par value	1,602,141	1,597,428
Accumulated other comprehensive loss	(43)	(1,103)
Accumulated deficit	(1,439,622)	(1,398,525)
Total stockholders' equity	162,487	197,811
Total liabilities and stockholders' equity	$ 694,789	$ 606,550

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

NEKTAR THERAPEUTICS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

	Three months ended March 31,	
	2012	2011
Revenue:		
Product sales and royalties	$ 10,122	$ 4,793
License, collaboration and other	7,827	6,506
Total revenue	17,949	11,299
Operating costs and expenses:		
Cost of goods sold	8,707	3,263
Research and development	35,085	30,176
General and administrative	10,414	11,727
Impairment of long-lived assets	1,675	—
Total operating costs and expenses	55,881	45,166
Loss from operations	(37,932)	(33,867)
Non-operating income (expense):		
Interest income	632	432
Interest expense	(4,333)	(2,585)
Other income, net	660	134
Total non-operating expense	(3,041)	(2,019)
Loss before provision for income taxes	(40,973)	(35,886)
Provision for income taxes	124	148
Net loss	$ (41,097)	$ (36,034)
Basic and diluted net loss per share	$ (0.36)	$ (0.33)
Weighted average shares outstanding used in computing basic and diluted net loss per share	114,531	108,677

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

	Three months ended March 31,	
	2012	2011
Comprehensive loss	$ (40,037)	$ (36,184)

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

NEKTAR THERAPEUTICS

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

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	$ (41,097)	$ (36,034)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash interest expense on liability related to sale of future royalties	1,815	—
Stock-based compensation	4,234	4,802
Depreciation and amortization	3,480	3,856
Impairment of long-lived assets	1,675	—
Other non-cash transactions	295	309
Changes in operating assets and liabilities:		
Accounts receivable	(5,865)	22,942
Inventory	(1,452)	(4,446)
Other assets	4,305	(1,199)
Accounts payable	(1,290)	(2,895)
Accrued compensation	(4,620)	(1,572)
Accrued expenses	1,094	1,961
Accrued clinical trial expenses	773	1,505
Deferred revenue	3,226	(2,555)
Other liabilities	(1,191)	(1,544)
Net cash used in operating activities	(34,618)	(14,870)
Cash flows from investing activities:		
Purchases of investments	(102,023)	(372,723)
Maturities of investments	151,964	113,235
Sales of investments	—	61,368
Purchases of property and equipment	(1,516)	(3,765)
Net cash provided by (used in) investing activities	48,425	(201,885)
Cash flows from financing activities:		
Payments of capital lease obligations	(566)	(459)
Proceeds from sale of future royalties, net of transaction costs	119,589	—
Issuance of common stock, net of issuance costs	479	221,958
Net cash provided by financing activities	119,502	221,499
Effect of exchange rates on cash and cash equivalents	(136)	(14)
Net increase in cash and cash equivalents	133,173	4,730
Cash and cash equivalents at beginning of period	15,312	17,755
Cash and cash equivalents at end of period	$ 148,485	$ 22,485

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

NEKTAR THERAPEUTICS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Unaudited)

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 benefits of drugs for patients.

Our research and development activities have required significant resources to date and are expected to continue to require significant resources. As a result, we expect to continue to incur substantial losses and negative cash flows from operations in the future. Historically, we have financed our operations primarily through cash from licensing, collaboration and manufacturing agreements and debt and equity financings. At March 31, 2012, we had approximately $498.8 million in cash, cash equivalents, and investments in marketable securities and $240.0 million in indebtedness, including $215.0 million in outstanding convertible subordinated notes due September 28, 2012. Although we believe that we have sufficient resources to provide for the repayment of the convertible notes, we continue to explore a number of alternatives to provide additional resources prior to the repayment of the convertible notes.

Basis of Presentation and Principles of Consolidation

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

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

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

On January 1, 2012, we were required to adopt new accounting guidance related to the presentation of comprehensive income that prohibits the presentation of other comprehensive income (OCI) in the statement of stockholders' equity and instead, provides the option of presenting OCI in a continuous statement of comprehensive income or as two separate consecutive statements. Our comprehensive loss consists of our net loss plus our foreign currency translation gains and losses and unrealized holding gains and losses on available-for-sale securities, neither of which were significant during the three months ended March 31, 2012 and 2011. For our interim quarterly reporting period ended March 31, 2012, we elected to present OCI in two separate consecutive statements. This change had no impact on our financial position or results of operations.

The accompanying Condensed Consolidated Financial Statements are unaudited. The Condensed Consolidated Balance Sheet data as of December 31, 2011 was derived from the audited consolidated financial statements which are included in our Annual Report on Form 10-K filed with the SEC on February 29, 2012. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and the accompanying notes to those financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. On an ongoing basis, we evaluate our estimates, including those related to deferred revenue recognition periods, inventories, the impairment of investments, the impairment of goodwill and long-lived assets, contingencies, estimated interest expense from our liability related to sale of future royalties, stock-based compensation, and litigation, among other estimates. We base our estimates on historical experience and on other assumptions that management believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources.

Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period presentation. Such reclassifications do not impact previously reported revenue, operating loss or net loss or total assets, liabilities or stockholders' equity.

Segment Information

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

Significant Concentrations

Our customers are primarily pharmaceutical and biotechnology companies that are located in the U.S. and Europe. Our accounts receivable balance contains billed and unbilled trade receivables from product sales and royalties, as well as time and materials based billings from 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 and have recorded no allowance for doubtful accounts at either March 31, 2012 or December 31, 2011.

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

Revenue

We enter into 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 payments, 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 separately for each element.

On January 1, 2011, we adopted on a prospective basis 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." Under this guidance, at the inception of each new multiple-element arrangement or the material modification of an existing multiple-element arrangement, we allocate arrangement consideration to all units of accounting based on the relative selling price method, generally based on our best estimate of selling price (ESP). The objective of ESP is to determine the price at which we would transact a sale if the product or service was sold on a stand-alone basis. We determine ESP for the elements in our collaboration arrangements by considering multiple factors including, but not limited to, technical complexity of the performance obligation and similarity of elements to those performed under previous arrangements. Since we apply significant judgment in arriving at the ESPs, any material change in our estimates would significantly affect the allocation of the total consideration to the different elements of a multiple element arrangement.

Product sales 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 when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured. 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 drugs. 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

Upfront fees received for ongoing obligations, such as manufacturing and supply obligations, under our license and collaborative agreements are recognized ratably over our expected performance period under each respective arrangement. We make our best estimate of the period over which we expect to fulfill our performance obligations, which may include technology transfer assistance, research activities, clinical development activities, and manufacturing activities from development through the commercialization of the product. Given the uncertainties of these collaborative arrangements, significant judgment is required to determine the duration of the performance period.

On January 1, 2011, we elected to prospectively adopt ASU 2010-17, “Milestone Method of Revenue Recognition”. Under the milestone method, contingent consideration received from the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved, which we believe is more consistent with the substance of our performance under our various license and collaboration agreements. A milestone is defined as an event (i) that can only be achieved based in whole or in part either on the entity’s performance or on the occurrence of a specific outcome resulting from the entity’s performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to the entity. A milestone is substantive if the consideration earned from the achievement of the milestone is consistent with our performance required to achieve the milestone or the increase in value to the collaboration resulting from our performance, relates solely to our past performance, and is reasonable relative to all of the other deliverables and payments within the arrangement.

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

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

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

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. When we establish or reduce the valuation allowance related to the deferred tax assets, our provision for income taxes will increase or decrease, respectively, in the period such determination is made.

For the three months ended March 31, 2012 and 2011, we recorded an income tax provision for our Nektar India operations at an effective tax rate of approximately 33%. The U.S. Federal deferred tax assets generated from our net operating losses have been fully reserved as we believe it is not more likely than not that the benefit will be realized.

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	
	March 31, 2012	December 31, 2011
Cash and cash equivalents	$148,485	$ 15,312
Short-term investments	233,624	225,856
Long-term investments	116,732	173,768
Total cash, cash equivalents, and available-for-sale investments	$498,841	$ 414,936

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

	Estimated Fair Value at	
	March 31, 2012	December 31, 2011
Corporate notes and bonds	$310,389	$ 344,427
U.S. corporate commercial paper	24,456	9,464
Obligations of U.S. government agencies	14,003	44,230
Obligations of U.S. states and municipalities	1,508	1,503
Cash and money market funds	148,485	15,312
Total cash, cash equivalents, and available-for-sale investments	$498,841	$ 414,936

The following table summarizes our portfolio of available-for-sale investments reported as short-term and long-term investments by contractual maturity (in thousands):

	Estimated Fair Value at	
	March 31, 2012	December 31, 2011
Less than one year	$233,624	$ 213,386
Greater than one year but less than two years	116,732	186,238
Total available-for-sale investments	$350,356	$ 399,624

We invest in liquid, high quality debt securities. Our investments in debt securities are subject to interest rate risk. To minimize the exposure due to an adverse shift in interest rates, we invest in securities with maturities of two years or less and maintain a weighted average maturity of one year or less. Investments in securities with remaining maturities of less than one year, or where our intent is to use the investments to fund current operations, or to make them available for current operations, are classified as short-term investments.

Gross unrealized gains and losses were not significant at March 31, 2012 and December 31, 2011.

During the three month periods ended March 31, 2012 and 2011, we sold available-for-sale securities totaling nil and $61.4 million, respectively, and realized gains and losses were not significant in any of those periods. The cost of securities sold is based on the specific identification method.

We use a market approach to value our Level 2 investments as described in the table below. The disclosed fair value related to our investments is based primarily on the reported fair values in our period-end brokerage statements, which are based on market prices from a variety of industry standard data providers. We independently validate these fair values using available market quotes and other information. During the three month periods ended March 31, 2012 and 2011, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The following table represents the fair value hierarchy for our financial assets measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011 (in thousands):

As of March 31, 2012:	Level 1	Level 2	Level 3	Total
Money market funds	$147,515	$ —	$ —	$147,515
U.S. corporate commercial paper	—	24,456	—	24,456
Corporate notes and bonds	—	310,389	—	310,389
Obligations of U.S. government agencies	—	14,003	—	14,003
Obligations of U.S. states and municipalities	—	1,508	—	1,508
Cash equivalents and available-for-sale investments	$147,515	$350,356	$ —	$497,871
Cash				970
Cash, cash equivalents, and available-for-sale investments				$498,841

As of December 31, 2011:	Level 1	Level 2	Level 3	Total
Money market funds	$13,950	$ —	$ —	$ 13,950
U.S. corporate commercial paper	—	9,464	—	9,464
Corporate notes and bonds	—	344,427	—	344,427
Obligations of U.S. government agencies	—	44,230	—	44,230
Obligations of U.S. states and municipalities	—	1,503	—	1,503
Cash equivalents and available-for-sale investments	$13,950	$399,624	$ —	$413,574
Cash				1,362
Cash, cash equivalents, and available-for-sale investments				$414,936

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):

	March 31, 2012	December 31, 2011
Raw materials	$10,833	$ 9,754
Work-in-process	2,894	1,219
Finished goods	381	1,683
Total	$14,108	$ 12,656

Inventory is generally manufactured upon receipt of firm purchase orders from our collaboration 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 determined using specific identification plus an estimated reserve for potential defective or excess inventory based on historical experience or projected usage.

Note 4 — Liability related to sale of future royalties

On February 24, 2012, we entered into a Purchase and Sale Agreement (Purchase and Sale Agreement) with RPI Finance Trust (RPI), an affiliate of Royalty Pharma, pursuant to which, on February 24, 2012, we sold, and RPI purchased, our right to receive royalty payments (the Royalty Entitlement) arising in respect of worldwide net sales, from and after January 1, 2012, of (a) CIMZIA®, under Nektar's license, manufacturing and supply agreement with UCB Pharma (UCB), and (b) MIRCERA®, under Nektar's license, manufacturing and supply agreement with Roche. We received an aggregate cash purchase price for the Royalty Entitlement of $124.0 million. As part of this sale, we incurred approximately $4.4 million in transaction costs. As is further described below, although we sold all of our rights to receive royalties from CIMZIA® and MIRCERA® products, we will continue to account for these royalties as revenue and have recorded the $124.0 million in proceeds from this transaction as a liability as a result of our ongoing manufacturing and supply obligations related to the generation of these royalties.

Pursuant to the Purchase and Sale Agreement, we are required to pay to RPI (a) $3.0 million if certain worldwide net sales thresholds of MIRCERA® for the 12 month period ending on December 31, 2012 are not achieved and (b) up to an additional $7.0 million if certain worldwide net sales thresholds of MIRCERA® for the 12 month period ending on December 31, 2013 are not achieved. The Purchase and Sale Agreement grants RPI the right to receive certain reports and

other information relating to the Royalty Entitlement and contains other representations and warranties, covenants and indemnification obligations that are customary for a transaction of this nature. In particular, if we breach our obligations under the Purchase and Sale Agreement, we could be required to pay damages to RPI that are not limited to the purchase price we received in the sale transaction.

Except as described above, RPI is entitled only to the future royalty payments arising from sales of CIMZIA® and MIRCERA®, pursuant to our agreements with UCB and Roche. However, we have determined that we have significant continuing involvement in the generation of these future royalty payments through our ongoing manufacturing and supply obligations. As a result, we recorded the $124.0 million as a long-term liability (Royalty Obligation) on our condensed consolidated balance sheet that will be amortized using the interest method over the estimated life of the Purchase and Sale Agreement. We believe the $124.0 million carrying amount of the Royalty Obligation is consistent with its fair value at March 31, 2012. The model used to estimate the fair value of the rights sold to RPI requires us to make estimates regarding, among other things, the assumptions market participants would make regarding the timing, probability and amount of future royalties, as well as the appropriate financial discount rates. We consider the assumptions and estimates used in the analysis to fall within Level 3 of the fair value hierarchy.

As a result of this liability accounting, even though the royalties from UCB and Roche will be remitted directly to RPI starting in the second quarter of 2012 for royalties arising from product sales in the first quarter of 2012, we will continue to record revenue for these royalties. During the three months ended March 31, 2012 and 2011, we recognized $2.7 million and $1.8 million, respectively, in aggregate royalties from net sales of CIMZIA® and MIRCERA®.

As royalties are remitted to RPI from Roche and UCB, the balance of the Royalty Obligation will be effectively repaid over the life of the agreement. Based on the estimated amount of future royalty payments to be received by RPI and any payments we are required to make to RPI as noted above, if any, over the life of the arrangement less the $124.0 million proceeds we received, as of March 31, 2012, our estimate of the interest rate under the agreement is approximately 17%. We will periodically assess the royalty payments to RPI from UCB and Roche and to the extent such payments are greater or less than our initial estimates, or the timing of such payments is materially different than our original estimates, we will adjust the amortization of the Royalty Obligation. There are a number of factors that could affect the amount and timing of royalty payments from CIMZIA® and MIRCERA®, most of which are not within our control. Such factors include, but are not limited to, changing standards of care, the introduction of competing products, manufacturing or other delays, biosimilar competition, intellectual property matters, adverse events that result in governmental health authority imposed restrictions on the use of the drug products, and other events or circumstances that result in reduced royalty payments from CIMZIA® and MIRCERA®, all of which would result in a reduction of interest expense over the life of the Royalty Obligation. Conversely, if sales of CIMZIA® and MIRCERA® are more than expected, interest expense would also be greater over the term of the Royalty Obligation.

The following table shows the activity within the liability account:

	Three months ended March 31, 2012
Beginning balance	$ —
Proceeds from sale of future royalties	124,000
Non-cash interest expense	1,785
CIMZIA® and MIRCERA® royalties remitted to RPI	—
Ending balance	$ 125,785

Note 5 — Commitments and Contingencies

Legal Matters

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

On November 18, 2009, the Research Foundation of the State University of New York (SUNY) filed an action against Nektar in the United States District Court for the Northern District of New York. SUNY seeks to recover amounts it alleges it is owed pursuant to a technology licensing contract between Nektar and SUNY. We dispute SUNY's claims. Discovery in the matter is continuing and a "trial ready" date has been set for September 1, 2012. We believe that SUNY's claims are without merit. No reasonable estimate of the possible loss or range of loss can be made at this time and no liabilities have been recorded for this matter on our Consolidated Balance Sheets as of March 31, 2012 or December 31, 2011.

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 was effective as of 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. As part of the sale of our royalty interest in the CIMZIA® and MIRCERA® products, we and RPI 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 certain of the representations and warranties or covenants and agreements made by us in any such commercial agreement, 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 any such obligations cannot be reasonably estimated. No liabilities have been recorded for these obligations on our Condensed Consolidated Balance Sheets at either March 31, 2012 or December 31, 2011.

Note 6 — License and Collaboration Agreements

We have entered into various license agreements and collaborative research, development and commercialization 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, royalties, sales milestones when and if certain annual sales levels are achieved, payment for the manufacture and supply of our proprietary PEGylation materials and/or reimbursement for research and development activities. All of our collaboration agreements are generally cancelable by our partners without significant financial penalty. Our costs of performing these services are generally included in research and development expense.

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

		Three months ended March 31,	
Partner	Agreement	2012	2011
Affymax, Inc.	OMONTYS®	$2,217	$ 451
Hoffmann — La Roche	PEGASYS® and MIRCERA®	1,380	1,283
Amgen, Inc.	Neulasta®	1,250	1,250
Bayer Healthcare LLC	BAY41-6551 (Amikacin Inhale)	742	750
Baxter Healthcare	Hemophilia	684	368
Other		1,554	2,404
License, collaboration, and other revenue		$7,827	$ 6,506

As of March 31, 2012, our collaboration agreements with partners included potential future payments for development milestones totaling approximately $172.1 million, including amounts from our agreements with Bayer and Baxter described below. In addition, we are entitled to receive up to $235.0 million and $75.0 million of contingent payments described below related to NKTR-118 and NKTR-119, respectively, based on development and regulatory events to be pursued and completed solely by AstraZeneca.

***Affymax, Inc.**: OMONTYS®*

In April 2004, we entered into a license, manufacturing and supply agreement with Affymax, Inc. (Affymax) under which we provided Affymax with a worldwide, non-exclusive license under certain of our proprietary PEGylation technology to develop, manufacture and commercialize OMONTYS® (peginesatide). On March 27, 2012, the U.S. Food and Drug Administration (FDA) approved OMONTYS® to treat anemia in patients with chronic kidney disease on dialysis. Under our agreement, Affymax is obligated to purchase its entire requirements of the proprietary PEGylation materials required to manufacture OMONTYS® exclusively from Nektar. Affymax is responsible for all clinical development, regulatory and commercialization expenses. We are entitled to royalties based on annual worldwide net sales of OMONTYS®. For a certain period of time, we will share a portion of our future royalty payments with Enzon Pharmaceuticals, Inc.

In addition, as a result of the FDA's approval of OMONTYS®, we earned a $2.0 million milestone. Under our milestone method revenue recognition policy, this substantive milestone was recognized in its entirety upon achievement in March 2012. We have previously received other milestone and related payments under our agreement with Affymax and, as of March 31, 2012, we have deferred revenue of approximately $7.7 million related to this agreement, which we expect to recognize through March 2022, the estimated period through which we are required to provide manufacturing and supply services.

***F. Hoffmann- La Roche Ltd and Hoffmann-La Roche Inc.**: PEGASYS® and MIRCERA®*

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 certain intellectual property related to our proprietary PEGylation materials used in the manufacture and commercialization 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 perform additional manufacturing, if any, only on an as-requested basis. In connection with Roche's exercise of the license extension option in December 2009, we received a payment of $31.0 million. As of March 31, 2012, we have deferred revenue of approximately $19.2 million related to this agreement, which we expect to recognize through December 2015, the period through which we are required to provide back-up manufacturing and supply services on an as-requested basis.

In February 2012, we entered into a toll-manufacturing agreement with Roche under which we will manufacture the proprietary PEGylation material for MIRCERA®. Roche entered into the toll-manufacturing agreement with the objective of establishing us as a secondary back-up source on a non-exclusive basis. Under the terms of the toll-manufacturing agreement, Roche agreed to pay us an up-front payment of $5.0 million plus a total of up to $22.0 million in performance-based milestone payments upon our achievement of certain manufacturing readiness, validation and production milestones, including the delivery of specified quantities of PEGylation materials, all of which are scheduled to be completed by the end of January 2013. There is a risk that we will not meet one or more of the milestones on a timely basis or at all. Roche will also pay us additional consideration for any future orders of the PEGylation materials for MIRCERA® beyond the initial quantities scheduled to be manufactured and supplied in 2012 and 2013. Roche may terminate the toll-manufacturing agreement due to an uncured material default by us or for convenience under certain circumstances and subject to certain financial obligations. As of March 31, 2012, we have received the $5.0 upfront payment and earned an additional $3.0 milestone payment. We expect that we will be able to successfully complete all of the milestones. As a result, we have identified our back-up manufacturing obligation through December 2016 and the delivery of PEGylation materials specified in the agreement in 2012 and early 2013 as the units of accounting in the arrangement. We made our best estimate of the selling prices for these deliverables and have allocated the expected $27.0 million consideration to these items based on the relative selling price method. As of March 31, 2012, we have recognized revenue of $0.1 million and deferred revenue of approximately $7.9 million, which we expect to recognize through December 2016, the estimated end of our obligations under this agreement.

***Amgen, Inc.**: Neulasta®*

In October 2010, we amended and restated an existing supply and license agreement by entering into a supply, dedicated suite and manufacturing guarantee agreement (the amended and restated agreement) and a license agreement with Amgen Inc. and Amgen Manufacturing, Limited (together referred to as Amgen). Under the terms of the amended and restated agreement, we 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 our 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 amended and restated agreement, we received a $50.0 million payment in the fourth quarter of 2010 in return for our guaranteeing the supply of certain quantities of 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 us. Amgen has no minimum purchase commitments. If quantities of the Polymer Materials ordered by Amgen exceed specified quantities, significant additional payments become payable to us in return for our guaranteeing the supply of additional quantities of the Polymer Materials.

The term of the amended and restated agreement ends on 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.

As of March 31, 2012, we have deferred revenue of approximately $42.9 million, which we expect to recognize through October 2020, the estimated end of our obligations under this agreement.

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

In August 2007, we entered into a co-development, license and co-promotion agreement with Bayer Healthcare LLC (Bayer) to develop a specially-formulated inhaled Amikacin. We are responsible for development and manufacturing and supply of the nebulizer device included in the Amikacin product. 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 and distribution. We received an upfront payment of $40.0 million in 2007 and performance milestone payments of $20.0 million, of which $10.0 million will be used to reimburse Bayer for Phase 3 clinical trial costs. We are entitled to up to $60.0 million of development milestones upon achievement of certain development objectives, as well as sales milestones upon achievement of annual sales targets and royalties based on annual worldwide net sales of Amikacin Inhale. As of March 31, 2012, we have deferred revenue of approximately $26.7 million, which we expect to recognize through July 2021, the estimated end of our obligations under this agreement.

***Baxter Healthcare**: Hemophilia*

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 designed to improve therapies for Hemophilia A patients using our PEGylation technology. In December 2007, we expanded our agreement with Baxter to include the license of our PEGylation technology with the potential to improve any future products Baxter may develop for Hemophilia B patients. Under the terms of the agreement, we are entitled to research and development funding and are responsible for supplying Baxter with its requirements for our proprietary materials. Baxter is responsible for all clinical development, regulatory, and commercialization expenses. The agreement is terminable by the parties under customary conditions. As of March 31, 2012, we are entitled to up to $28.0 million and $11.0 million of development milestones related to Hemophilia A and Hemophilia B, respectively, upon achievement of certain development objectives, as well as sales milestones upon achievement of annual sales targets and royalties based on annual worldwide net sales of products resulting from this agreement. We received upfront payments in 2005 and 2007 totaling $9.0 million and, as of March 31, 2012, we have deferred revenue from these payments of $5.5 million, which we expect to recognize through December 2027, the estimated end of our obligations under this agreement.

***AstraZeneca AB**: NKTR-118 and NKTR-119*

In September 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, market, sell and otherwise commercially exploit NKTR-118 and NKTR-119. AstraZeneca is responsible for all costs associated with research, development and commercialization and controls all drug development and commercialization decisions for NKTR-118 and NKTR-119. AstraZeneca paid us an upfront payment of $125.0 million, which we received in the fourth quarter of 2009 and which was fully recognized as of December 31, 2010. We are entitled to receive up to $235.0 million and $75.0 million of contingent payments related to NKTR-118 and NKTR-119, respectively, based on development events to be pursued and completed solely by AstraZeneca. In particular, if AstraZeneca files for regulatory approval of NKTR-118 with the FDA and the European Medicines Agency (EMA), Nektar will be entitled to $95.0 million of these milestones. We will be entitled to the remaining $140.0 million of these milestones if NKTR-118 is approved by the FDA and EMA and commercial launch is achieved in the U.S. and one major country in the European Union. In addition, we are also entitled to sales milestones and royalties based on annual worldwide net sales of NTKR-118 and NKTR-119 products. During the three months ended March 31, 2012 and 2011, we did not earn significant revenues from this arrangement.

Note 7 — Impairment of Long Lived Assets

In an effort to reduce ongoing operating costs and improve our organizational structure, efficiency and productivity, on March 20, 2012, we announced a plan to consolidate our U.S.-based research activities at our existing San Francisco location and to cease the use of and sell one of our buildings located in Huntsville, Alabama that was dedicated to research activities. As a result, we performed a preliminary analysis of the fair value of the land, building and related improvements based primarily on market data, concluded that the combined carrying value of the land and building exceeded fair value and recorded an impairment loss of $1.7 million. Until we have disposed of these assets, we will update our analysis of their fair value on a regular basis and such updates could result in further impairment charges in future periods.

Note 8 — Stock-Based Compensation

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

	Three months ended March 31,	
	2012	2011
Cost of goods sold	$ 408	$ 332
Research and development expense	1,923	1,969
General and administrative expense	1,903	2,501
Total stock-based compensation cost	$4,234	$ 4,802

During the three months ended March 31, 2012 and 2011, we granted 2,733,390 and 2,128,055 stock options, respectively. The weighted average grant-date fair value of options granted during the three months ended March 31, 2012 and 2011 was $3.76 per share and $5.74 per share, respectively. During the three months ended March 31, 2012 and 2011, we issued 105,348 and 505,700 common shares, respectively, as a result of stock issuances under our equity compensation plans.

Note 9 — Net Loss Per Share

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

	Three months ended March 31,	
	2012	2011
Convertible subordinated notes	9,989	9,989
Stock options	13,896	11,135
Total	23,885	21,124

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

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

Overview

Strategic Direction of Our Business

We are a 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 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 a 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 drug candidates in multiple therapeutic areas that address large potential markets.

Our most advanced proprietary product candidate, NKTR-118, is a peripheral opioid antagonist that is currently being evaluated for the treatment of opioid-induced constipation. We are a party to an exclusive worldwide license agreement with AstraZeneca 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. On March 15, 2011, AstraZeneca announced enrollment of the first patient in Phase 3 clinical studies for NKTR-118 that AstraZeneca calls the KODIAC study. This Phase 3 clinical program is designed to investigate the safety and efficacy of NKTR-118 as a medicine to relieve opioid-induced constipation, a common side effect of prescription opioids when used for chronic pain management. The outcome of the KODIAC study will have a substantial impact on our financial condition as we are entitled to $235.0 million in regulatory filing and commercial launch milestones. If the KODIAC study is successful and AstraZeneca files for regulatory approval with the FDA and the European Medicines Agency (EMA), Nektar will be entitled to $95.0 million of these milestones. We will be entitled to the remaining $140.0 million of these milestones if NKTR-118 is approved by the FDA and EMA and commercial launch is achieved in the U.S. and one major country in the European Union (EU). Following the commercial launch of NKTR-118, we are entitled to significant and escalating double-digit royalties varying by country of sale and based on the level of annual net sales. Therefore, the results from the KODIAC study, the timing and outcome of approval review of NKTR-118 by the FDA and EMA, the timing of the commercial launch of NKTR-118 (if approved), and the level of NKTR-118 sales, will have a significant impact on our financial condition and future business prospects.

Our second most advanced proprietary drug candidate, etirinotecan pegol (NKTR-102), is a next-generation topoisomerase I inhibitor, currently being evaluated as a single-agent therapy in a Phase 3 open-label, randomized, multicenter clinical study in patients with metastatic breast cancer. This Phase 3 clinical study, which we call the BEACON study (BrEAst Cancer Outcomes with NKTR-102), was initiated by us in December 2011. The BEACON study is scheduled to enroll approximately 840 patients with metastatic breast cancer. The BEACON study will require a substantial investment over the next three years. In the first quarter of 2012, we were also completing an expanded Phase 2 clinical study for NKTR-102 in patients with platinum-resistant ovarian cancer. We announced preliminary top-line response rate results for this study on April 16, 2012 at our Investor and Analyst Research and Development Day. The original Phase 2 clinical study was completed in mid-2010 and we further expanded this study to enroll up to 110 additional women with platinum-resistant ovarian cancer who had progressed after prior treatment with Doxil® (doxorubicin HCl liposome injection). In November 2011, we announced that enrollment in this expanded Phase 2 study was slower than anticipated because of a shortage of Doxil® related to serious manufacturing issues being experienced by the manufacturer and supplier of Doxil®. As of April 2012, approximately 97 of the planned 110 patients had been enrolled in the study. We are currently in the process of compiling and performing verification procedures on certain top-line results (e.g. objective tumor response rate) from the patients enrolled to date. Results from this study and communication with government health authorities in both the United States and EU, will guide our future development and regulatory strategy for NKTR-102 in ovarian cancer.

We also have a significant collaboration with Bayer Healthcare LLC (Bayer) for Amikacin Inhale, an inhaled solution of amikacin, an aminoglycoside antibiotic, that has completed Phase 2 development. Preparations for a Phase 3 clinical study are continuing. This program is significantly behind schedule due to our plan with Bayer to finalize the design of the nebulizer device for commercial manufacturing prior to initiating Phase 3 clinical development, with the objective of commencing a Phase 3 clinical study as soon as possible following completion of this work. Bayer is beginning the process of selecting a third party contract research organization (CRO) for this study. After the CRO is selected by Bayer and provided that we successfully complete the remaining clinical manufacturing and related stability testing activities, we expect to have better visibility regarding the timing of the proposed Phase 3 clinical study. We expect to continue to make significant investments over the next two years to establish the clinical and commercial manufacturing capability for the Amikacin Inhale nebulizer device.

While the late stage clinical development programs described above are key elements of the future success of our company, we believe it is critically important that we continue to make substantial investments in our earlier-stage drug candidate pipeline. For example, we plan to advance NKTR-181 into Phase 2 clinical trials in 2012 and we also announced on April 2, 2012 that we had dosed the first patient in a Phase 1 clinical study for NKTR-192, our short-acting opioid drug candidate. 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.

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 our 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 1995. In addition, in December 2010, we entered into an amended manufacturing and supply agreement with Merck (through its acquisition of Schering-Plough Corporation) 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 March 31, 2012, we had approximately $498.8 million in cash, cash equivalents, and investments in marketable securities and $240.0 million in indebtedness. We have $215.0 million in outstanding convertible subordinated notes due September 2012. We have no material credit facility or other material committed sources of capital. We expect the clinical development of our proprietary drug candidates including NKTR-102, NKTR-061, NKTR-181, and NKTR-192 will continue to require significant investments in order to advance through the clinic with the objective of entering into a collaboration partnership or obtaining regulatory approval. Historically, we have financed our operations primarily through cash from licensing, collaboration and manufacturing agreements and debt and equity financing transactions. 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 completing new transactions with substantial upfront payments in the near future. As discussed above, the success of the KODIAC study is critical to providing cash to fund our operations and there can be no assurance as to the timing or probability of the outcome of this study and potential regulatory filings by AstraZeneca.

On February 24, 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA® in exchange for $124.0 million. As part of this sale, we incurred approximately $4.4 million in transaction costs. While the net proceeds from this transaction are available to fund more than 50% of the September 2012 repayment obligation for the outstanding convertible notes, we intend to pursue other financing alternatives before the convertible note maturity date which could include the sale of additional royalty interests from legacy agreements or term loan arrangements. Where we believe it is in the best interests of the company and our stockholders, we are pursuing financing alternatives that are not dilutive to the ownership of our common stock security holders. However, if non-dilutive financing alternatives are not available to us on commercially reasonable terms or at all, we could be required to pursue dilutive equity-based financing alternatives such as an offering of convertible debt or common stock. If we are not successful in raising additional funds through financing activities in 2012, we may be required to reduce our research and development spending in one or more programs, as well as general and administrative expenses, in order to conserve working capital until additional funding becomes available either from our existing collaborations, new collaboration partnerships or additional fundraising activities. Our substantial debt, the market price of our common stock, and the general economic and equity market climate, among other factors, could have material adverse effects on our financial condition and could affect our ability to obtain short-term and long-term financing alternatives.

Results of Operations

Three Months Ended March 31, 2012 and 2011

Revenue (in thousands, except percentages)

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
Product sales and royalties	$ 10,122	$ 4,793	$ 5,329	>100%
License, collaboration and other	7,827	6,506	1,321	20%
Total revenue	$ 17,949	$ 11,299	$ 6,650	59%

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

Product sales and royalties

Product sales include cost-plus and fixed price manufacturing and supply agreements with our collaboration partners. The timing of product shipments is based on the demand and requirements of our collaboration partners and is not ratable throughout the year. We receive royalty revenue from certain of our collaboration partners based on their net sales of commercial products.

Product sales and royalties increased during the three months ended March 31, 2012 compared to the three months ended March 31, 2011 primarily due to a $4.5 million increase in product sales as a result of increased product demand from one of our collaboration partners and a $0.9 million increase in royalties as a result of the increase in royalties received from Roche's MIRCERA® and UCB Pharma's CIMZIA® product sales.

During the three months ended March 31, 2012 and 2011, we recognized $2.7 million and $1.8 million, respectively, in aggregate royalties from net sales of MIRCERA® and CIMZIA®. As noted above, in February 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA®. As described in Note 4 to our Condensed Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the life of the estimated royalty payment period. Although any future CIMZIA® and MIRCERA® royalties will go directly to the purchaser of these royalty interests, we will continue to recognize the royalties as revenue, which we expect to increase throughout 2012 as compared to 2011.

License, Collaboration and Other

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

License, collaboration and other revenue for the three months ended March 31, 2012 increased compared to the three months ended March 31, 2011 primarily due to a $2.0 million milestone which we recognized as a substantive milestone when earned upon the FDA's approval of Affymax's OMONTYS® on March 27, 2012.

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

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
Cost of goods sold	$ 8,707	$ 3,263	$ 5,444	>100%
Product gross profit	$ 1,415	$ 1,530	$ (115)	(8)%
Product gross margin	14%	32%		

For the three months ended March 31, 2012 compared to the three months ended March 31, 2011, the increase in cost of goods sold is primarily attributable to the $4.5 million increase in product sales in the three months ended March 31, 2012 compared to the same period in 2011. The decrease in product gross profit and product gross margin is primarily attributable to the fixed price nature of certain of our significant manufacture and supply agreements.

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. However, due to the fixed price nature of certain of our significant supply agreements, we expect that gross margin will decrease in 2012 compared to 2011.

Research and Development Expense (in thousands, except percentages)

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
Research and development expense	$ 35,085	$ 30,176	$ 4,909	16%

Research and development expense consists primarily of personnel costs, including salaries, benefits, and stock-based compensation, clinical study costs, direct costs of outside research, materials, supplies, licenses and fees. Research and development expense also includes certain overhead allocations consisting of various support and facilities related costs. Research and development expense is not expected to be ratable over the four quarters of the year, however we expect research and development expense to increase throughout 2012 compared to 2011 as we continue to advance our pipeline of drug candidates. In particular, we expect to incur significant costs on the NKTR-102 Phase 3 BEACON study as well as on our plan to advance NKTR-181 into Phase 2 clinical development during the second half of the year.

For the three months ended March 31, 2012 compared to the three months ended March 31, 2011, direct research and development program costs increased by approximately $3.6 million, primarily due to our NKTR-102 Phase 3 BEACON study. Additionally, research and development expense increased in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 by $1.4 million in salaries and employee benefits due to increased headcount to support our expanded clinical efforts.

Other than as described in the Overview section above, there have been no material changes to the status of clinical programs in the three months ended March 31, 2012 from the activities discussed in our Annual Report on Form 10-K for the year ended December 31, 2011 on file with the Securities and Exchange Commission.

General and Administrative Expense (in thousands, except percentages)

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
General and administrative expense	$ 10,414	$ 11,727	$ (1,313)	(11)%

General and administrative expense includes the cost of administrative staffing, business development, marketing, finance and legal activities. For the three months ended March 31, 2012 compared to the three months ended March 31, 2011, general and administrative expense decreased primarily as a result of decreases in non-cash stock-based compensation expense and other personnel-related costs. We expect general and administrative expense throughout the remainder of 2012 will be consistent with the same period in 2011.

Impairment of long lived assets (in thousands except percentages)

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
Impairment of long-lived assets	$ 1,675	$ —	$ 1,675	>100%

In an effort to reduce ongoing operating costs and improve our organizational structure, efficiency and productivity, on March 20, 2012, we announced a plan to consolidate our U.S.-based research activities at our existing San Francisco location and to cease the use of and sell one of our buildings located in Huntsville, Alabama that was dedicated to research activities. As a result, we performed a preliminary analysis of the fair value of the land, building and related improvements, concluded that their carrying value exceeded fair value and recorded an impairment loss of $1.7 million. Until we have disposed of these assets, we will update our analysis of their fair value on a regular basis and such updates could result in further impairment charges in future periods.

Interest Income and Interest Expense (in thousands, except percentages)

	Three months ended March 31, 2012	Three months ended March 31, 2011	Increase / (Decrease) 2012 vs. 2011	Percentage Increase / (Decrease) 2012 vs. 2011
Interest income	$ 632	$ 432	$ 200	46%
Interest expense	$ (4,333)	$ (2,585)	$ 1,748	68%

The increase in interest income for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 is primarily a result of increased market interest rates received and higher average cash and investments balances for the period.

On February 24, 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA® in exchange for $124.0 million. Although we are required to make payments to the purchaser of these rights only in certain situations, we have continuing involvement in the generation of the future CIMZIA® and MIRCERA® royalties and thus, the $124.0 million fair value of the obligation was recorded as a liability related to sale of future royalties. While we do not anticipate making any cash payments representing interest, we will impute interest on the transaction and record interest expense at the effective interest rate, which we currently estimate to be approximately 17%. As a result, we expect interest expense in 2012 to increase significantly from 2011 and the increase in interest expense for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 is attributable to the $1.8 million interest expense recorded for the royalty transaction.

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 March 31, 2012, we had cash, cash equivalents and investments in marketable securities of $498.8 million and indebtedness of $240.0 million, including $215.0 million of convertible subordinated notes, $16.4 million in capital lease obligations and $8.6 million in other liabilities. We have no material credit facility or other material committed sources of capital.

On February 24, 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA® in exchange for $124.0 million. As part of this sale, we incurred approximately $4.4 million in transaction costs. While the net payments from this transaction are available to fund more than 50% of the September 2012 repayment obligation for the outstanding convertible notes, we intend to pursue other financing alternatives before the convertible note maturity date which could include the sale of additional royalty interests or term loan arrangements. We may also seek from time to time to purchase or retire our outstanding convertible notes through cash purchases and/or exchanges for other of our securities in open market transactions, privately negotiated transactions and/or a tender offer, if we can do so on attractive terms. We will evaluate financing alternatives, if any, in light of the then-existing market conditions. Where we believe it is in the best interests of the company and our stockholders, we are pursuing financing alternatives that are not dilutive to the ownership of our common stock security holders. However, if non-dilutive financing alternatives are not available to us on commercially reasonable terms or at all, we could be required to pursue dilutive equity-based financing alternatives such as an offering of convertible debt or common stock. In addition, we expect the Phase 3 BEACON trial for NKTR-102 to require particularly significant resources because we anticipate bearing a majority or all of the development costs for that drug candidate. If we are not successful in raising additional funds through financing activities in 2012, we may be required to reduce our research and development spending in one or more programs, as well as general and administrative expenses, in order to conserve working capital until additional funding becomes available either from our existing collaborations or additional fundraising activities. Our substantial debt, the market price of our common stock, and the general economic and equity market climate, among other factors, could substantially weaken our financial condition and could reduce or eliminate our ability to obtain short-term and long-term financing alternatives. Please refer to Part II, Item 1A, Risk Factors, "*We will need to raise substantial additional capital to repay the $215.0 million in convertible notes due in September 2012 and fund our planned future operations, and we may be unable to secure such capital without dilutive financing transactions*" and "*We have*

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

Due to the potential for continued uncertainty in the credit markets in 2012, we may experience reduced liquidity with respect to some of our investments in marketable securities. These investments are generally held to maturity, which is less than two years. However, if the need arose to liquidate such securities before maturity, we may experience losses on liquidation. At March 31, 2012, the average time to maturity of the investments held in our portfolio was approximately seven months and the maturity of any single investment did not exceed twenty-four months. 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, cash equivalents, and investments will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Cash flows from operating activities

Cash flows used in operating activities for the three months ended March 31, 2012 totaled $34.6 million, which includes $3.5 million for a semi-annual interest payment on our convertible subordinated notes, and $36.6 million of other net operating cash uses, partially offset by the receipt of $5.5 million from collaboration agreements. Because of the nature and timing of certain cash receipts and payments, net cash utilization is not expected to be ratable over the four quarters of the year. We expect cash flows used in operating activities, excluding upfront payments received, if any, will increase throughout the remainder of 2012 compared to the same period in 2011 as a result of increased spending on our research and development programs.

Cash flows used in operating activities for the three months ended March 31, 2011 totaled $14.9 million, which includes $3.5 million for a semi-annual interest payment on our convertible subordinated notes, and $31.4 million of other net operating cash uses, partially offset by the receipt of $20.0 million from collaboration agreements executed in prior years, of which $16.5 million was included in accounts receivable at December 31, 2010 resulting from an upfront payment obligation arising from an amendment to one of our manufacturing and supply agreements.

Cash flows from investing activities

We purchased $1.5 million and $3.8 million of property and equipment in the three months ended March 31, 2012 and 2011, respectively.

Cash flows from financing activities

On February 24, 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA® in exchange for $124.0 million. As part of this sale, we incurred approximately $4.4 million in transaction costs.

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

We received $0.5 million and $2.2 million, respectively, from issuances of common stock to employees during the three months ended March 31, 2012 and 2011.

Contractual Obligations

Other than the Purchase and Sale Agreement that we entered into on February 24, 2012, with respect to the sale of our royalty interests in CIMZIA® and MIRCERA® and which is described in Note 4 to our Condensed Consolidated Financial Statements, there were no material changes during the three months ended March 31, 2012 to the summary of contractual obligations included in our Annual Report on Form 10-K for the year ended December 31, 2011 on file with the Securities and Exchange Commission.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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. We evaluate our estimates on an ongoing basis. Actual results may differ from those estimates under different assumptions or conditions. With the exception of the updates to the following critical accounting policies and estimates, there have been no material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

On January 1, 2011, we adopted on a prospective basis 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.” In the three months ended March 31, 2012, we entered into our first arrangement that requires accounting under this guidance. Under this guidance, at the inception of each new multiple-element arrangement or the material modification of an existing multiple-element arrangement, we allocate arrangement consideration to all units of accounting based on the relative selling price method, generally based on our best estimate of selling price (ESP). The objective of ESP is to determine the price at which we would transact a sale if the product or service was sold on a stand-alone basis. We determine ESP for the elements in our collaboration arrangements by considering multiple factors including, but not limited to, technical complexity of the performance obligation and similarity of elements to those performed under previous arrangements. Since we apply significant judgment in arriving at the ESPs, any material changes would significantly affect the allocation of the total consideration to the different elements of a multiple element arrangement.

In February 2012, we sold all of our rights to receive future royalty payments on CIMZIA® and MIRCERA®. Although we are required to make payments to the purchaser of these royalty interests only in certain situations, including the event of our breach of a representation, warranty or covenant in the Purchase and Sale Agreement that gives rise to a liability in accordance with the terms and conditions of such agreement, this royalty sale transaction was recorded as a liability (Royalty Obligation) that we will amortize using the interest method over the estimated life of the Purchase and Sale Agreement. While we do not anticipate making any cash payments representing interest, we will impute interest on the transaction and record interest expense at the estimated interest rate. Our estimate of the interest rate under the agreement is based on the amount of royalty payments to be received by RPI over the life of the arrangement and any payments we may be required to make under the agreement, if any. We will periodically assess the royalty payments to RPI from UCB and Roche and to the extent such payments are greater or less than our initial estimates, or the timing of such payments is materially different than our original estimates, we will adjust the amortization of the Royalty Obligation. There are a number of factors that could affect the amount and timing of royalty payments from CIMZIA® and MIRCERA®, most of which are not within our control. Such factors include, but are not limited to, changing standards of care, the introduction of competing products, manufacturing or other delays, biosimilar competition, intellectual property matters, adverse events associated that result in governmental health authority imposed restrictions on the use of the drug products, and other events or circumstances that result in reduced royalty payments from CIMZIA® and MIRCERA®, all of which would result in a reduction of interest expense over the life of the Royalty Obligation. Conversely, if sales of CIMZIA® and MIRCERA® are more than expected, interest expense would also be greater over the term of the Royalty Obligation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks at March 31, 2012 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2011 on file with the Securities and Exchange Commission.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (Exchange Act) reports is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required 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 our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the Company. However, there was no change in our internal control over financial reporting that occurred in the three months ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Investors in Nektar Therapeutics should carefully consider the risks described below before making an investment decision. The risks described below may not be the only ones relating to our company. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011. Additional risks that we currently believe are immaterial may also impair our business operations. Our business, results of operations, financial condition, cash flows and future prospects and the trading price of our common stock and our abilities to repay our convertible notes could be harmed as a result of any of these risks, and investors may lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2011, including our consolidated financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission (SEC).

Risks Related to Our Business

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

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

Drug development is a highly uncertain scientific and medical endeavor, and failure can unexpectedly occur at any stage of clinical development. Typically, there is a high rate of attrition for drug candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The risk of failure is increased for our drug 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-181, NKTR-192 and other drug candidates currently in discovery research or preclinical development. The failure of one or more of our drug candidates could have a material adverse effect on our business, financial condition and results of operations.

Even with success in preclinical testing and previously completed clinical trials, the risk of clinical failure for any drug candidate remains high prior to regulatory approval.

A number of companies have suffered significant unforeseen failures in late stage clinical studies due to factors such as inconclusive efficacy results and adverse medical events, even after achieving positive results in earlier clinical studies that were satisfactory both to them and to reviewing government health authorities. While the NKTR-118, NKTR-102, and Amikacin Inhale drug candidates have each demonstrated positive results from Phase 2 clinical studies, there is a substantial risk that Phase 3 clinical study outcomes from these drug candidates from larger patient populations will not demonstrate positive efficacy, safety or other clinical outcomes sufficient to support regulatory filings and achieve regulatory approval. Phase 3 clinical outcomes remain very unpredictable and it is possible that one or more of these Phase 3 clinical studies could fail at any time due to efficacy, safety or other important clinical findings or regulatory requirements. If one or more of these drug candidates fail in Phase 3 clinical studies, it would have a material adverse effect on our business, financial condition and results of operations.

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

We or our partners may not obtain regulatory approval for drug candidates on a timely basis, or at all, or the terms of any approval (which in some countries includes pricing approval) may impose significant restrictions or limitations on use. Drug candidates must undergo rigorous animal and human testing and an extensive FDA mandated or equivalent foreign government health authority 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, at any phase of development, to terminate clinical studies, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. In addition, undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities.

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

We will need to raise substantial additional capital to repay the $215.0 million in convertible notes due in September 2012 and fund our planned future operations, and we may be unable to secure such capital without dilutive financing transactions.

On February 29, 2012, we received $124.0 million in gross proceeds from the sale of our royalty interest in the CIMZIA® and MIRCERA® drug products. As part of this sale, we incurred approximately $4.4 million in transaction costs. We plan to use the net proceeds from this transaction towards the repayment of our $215.0 million in convertible subordinated notes due in September 2012. We are actively pursuing other non-dilutive financing alternatives such as the sale of additional royalty interests held by us or term loan arrangements. We may seek to repurchase our convertible notes through cash purchases in open market transactions, privately negotiated transactions and/or a tender offer, if we can do so on attractive terms. If non-dilutive financing alternatives are not available to us on commercially reasonable terms or at all, in order to continue future operations as planned, we will be required to pursue dilutive equity-based financing alternatives such as the issuance of convertible debt or common stock to fund the remaining balance of the convertible notes and to provide sufficient capital to fund our future operations. The issuance of convertible notes, common stock, preferred stock or securities convertible into or exchangeable for our securities would dilute the percentage ownership of our current common stock security holders and could significantly lower the market value of our common stock. In addition, a financing could result in the issuance of new securities that may have rights, preferences or privileges senior to those of our existing stockholders. If we issue convertible notes or enter into a term loan arrangement, the payment of principal and interest on such indebtedness may limit funds available for our business activities such as the continued advancement of our research and development pipeline, and such indebtedness could impose covenants that restrict our ability to operate our business. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens or make investments.

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

As of March 31, 2012, we had cash, cash equivalents, and investments in marketable securities valued at approximately $498.8 million and indebtedness of approximately $240.0 million, including approximately $215.0 million in convertible subordinated notes due September 2012, $16.4 million in capital lease obligations, and $8.6 million of other liabilities. While we believe that our cash position will be sufficient to meet our liquidity requirements through at least the next 12 months, our future capital requirements will depend upon numerous unpredictable factors, including:

- if and when we receive potential milestone payments and royalties from our existing collaborations if the drug candidates subject to those collaborations achieve clinical, regulatory or commercial success, in particular, if the Phase 3 KODIAC studies being conducted by AstraZeneca for NKTR-118 are successful and AstraZeneca files an NDA with the FDA and a marketing application with the European Medicines Agency for NKTR-118, we will be entitled to $95.0 million in milestone payments;
- the progress, timing, cost and results of our clinical development programs — in particular our Phase 3 BEACON study for NKTR-102 and our planned Phase 2 clinical study for NKTR-181;
- the success, progress, timing and costs of our efforts to implement new collaborations, licenses and other transactions that increase our current net cash, such as the sale of additional royalty interests held by us, term loan or other debt arrangements, and the issuance of securities;

- the cost, timing and outcomes of clinical studies and regulatory reviews of our proprietary drug candidates that we have licensed to our collaboration partners (e.g., NKTR-118, Amikacin Inhale, BAX 855);
- the outcome of the regulatory review process and commercial success of drug products for which we are entitled to receive royalties (e.g., Map Pharmaceutical's Levadex®);
- the number of patients, enrollment criteria, primary and secondary endpoints, and the number of clinical studies required by the government health authorities in order to consider for approval our drug candidates and those of our collaboration partners;
- our general and administrative expenses, capital expenditures and other uses of cash; and
- disputes concerning patents, proprietary rights, or license and collaboration agreements that negatively impact our receipt of milestone payments or royalties or require us to make significant payments arising from licenses, settlements, adverse judgments or ongoing royalties.

A significant multi-year capital commitment is required to advance our drug candidates through the various stages of research and development in order to generate sufficient data to enable high value collaboration partnerships with significant up-front payments or to successfully achieve regulatory approval. If sufficient capital is not available to us or is not available on commercially reasonable terms, it could require us to delay or reduce one or more of our research and development programs. If we are unable to sufficiently advance our research and development programs, it could substantially impair the value of such programs and result in a material adverse effect on our business, financial condition and results of operations.

The results from the expanded Phase 2 clinical study for NKTR-102 in women with platinum-resistant/refractory ovarian cancer are unlikely to result in a review or an approval of a new drug application (NDA) by the United States Food and Drug Administration (FDA), and the future results from this trial are difficult to predict.

We expanded the NKTR-102 Phase 2 study by 110 patients in women with platinum-resistant/refractory ovarian cancer that had received prior Doxil® therapy with the potential for us to consider an early NDA submission after we evaluate these expanded study results. As of April 2012, approximately 97 of the planned 110 patients had been enrolled in the study. Due to an ongoing supply shortage of Doxil®, we have ceased further enrollment of this study. We are currently in the process of compiling and performing verification procedures on preliminary interim results from the patients. Acceptance and approval of an NDA by the FDA almost always requires the sponsor to conduct comparative Phase 3 clinical studies prior to acceptance for review or approval of an NDA. As a result, acceptance for review or approval of an accelerated NDA submitted to the FDA based on overall response rate from our single-arm Phase 2 study in platinum-resistant/refractory ovarian cancer would be unusual and is highly unlikely. Therefore we do not expect the FDA to accept or approve an accelerated NDA based on this Phase 2 clinical study. The FDA has significant discretion to determine what constitutes a high unmet medical need, what therapies should be considered available to patients regardless of which therapies are approved or typically prescribed in a particular setting, the relevance of certain efficacy end points (e.g. overall response rate, progression free survival, overall survival), and the number of patients required to be studied to demonstrate sufficient therapeutic benefit and safety profile. One or more of such judgments and determinations by the FDA could impair our ability to submit an accelerated NDA for platinum resistant/refractory ovarian cancer patients, and even if submitted, whether the FDA would accept it for review and/or approve the NDA.

Further, this expansion of our Phase 2 study in platinum resistant/refractory ovarian cancer 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 ovarian cancer are not successful, it could significantly harm our business, results of operations and financial condition.

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

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

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

We intend to continue to seek partnerships with pharmaceutical and biotechnology partners to fund a portion of our research and development capital requirements. For example, in September 2009 we entered into a license agreement with AstraZeneca for NKTR-118 and NKTR-119 that included an upfront payment of $125.0 million. The timing of new collaboration partnerships is difficult to predict due to availability of clinical data, the outcomes from our clinical studies, the number of potential partners that need to complete due diligence and approval processes, the definitive agreement negotiation process and numerous other unpredictable factors that can delay, impede or prevent significant transactions. If we are unable to find suitable partners or to negotiate collaboration arrangements with favorable commercial terms with respect to our existing and future drug candidates or the licensing of our intellectual property, or if any arrangements we negotiate, or have negotiated, are terminated, it could have a material adverse effect on our business, financial condition and results of operations.

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

From time to time, we publish preliminary or interim data from our clinical studies. For example, on April 16, 2012, we announced preliminary tumor response rate data from our expanded Phase 2 clinical study for NKTR-102 in platinum resistant/refractory ovarian cancer. Preliminary data remains subject to audit confirmation and verification procedures that may result in the final data being materially different from the preliminary data we previously published. Interim data is also subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data becomes available. As a result, preliminary and interim data should be viewed with caution until the final data are available. Material adverse changes in the final data could significantly harm our business prospects.

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

It is very difficult to estimate the commercial potential of product candidates due to important factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement standards, patient and physician preferences, 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 government health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market by asserting our patents. If due to one or more of these risks the market potential for a drug candidate is lower than we anticipated, it could significantly and negatively impact the commercial terms of any collaboration partnership potential for such drug candidate or, if we have already entered into a collaboration for such drug candidate, the revenue potential from royalty and milestone payments could be significantly diminished and would negatively impact our business, financial condition and results of operations.

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, methods of preparation and manufacturing, and methods of use and administration. We cannot predict with any certainty which, if any, patent references will be considered relevant to our or our collaboration partners' technology or drug candidates by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. In certain cases, we have existing licenses or cross-licenses with third parties, however the scope and adequacy of these licenses is very uncertain and can change substantially during long development and commercialization cycles for biotechnology and pharmaceutical products. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternate technology. If we are required to enter into a license with a third party, our potential economic benefit for the products subject to the license will be diminished. If a license is not available on commercially reasonable terms or at all, we may be prevented from developing and selling the drug, which could significantly harm 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 drug candidate development programs;
- clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;
- intellectual property ownership allocation between us and our partners for improvements and new inventions developed during the course of the collaboration;
- royalties on drug sales based on a number of complex variables, including net sales calculations, geography, scope of patent claim coverage, patent life, generic competitors, bundled pricing and other factors; and
- indemnity obligations for intellectual property infringement, product liability and certain other claims.

We are a party to certain significant agreements including an asset purchase agreement with Novartis pursuant to which we sold a significant portion of our pulmonary business at the end of 2008, the worldwide exclusive license agreement with AstraZeneca related to the further development and commercialization of NKTR-118 and NKTR-119, and the purchase and sale agreement related to the sale of our royalty interests in UCB's CIMZIA and Roche's MIRCERA that we completed in February 2012. Each of these agreements contains complex representations and warranties, covenants and indemnification obligations 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.

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 effect on our business, financial condition and results of operations.

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

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

For instance, F. Hoffmann-La Roche Ltd, to which we license our proprietary PEGylation reagent intellectual property 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. Roche and Amgen subsequently entered into a settlement and limited license agreement which allows Roche to begin selling MIRCERA® in the U.S. in July 2014.

Currently, the Research Foundation of the State University of New York (SUNY) seeks to recover amounts it alleges it is owed pursuant to a technology licensing contract between SUNY and us. SUNY has filed an action in the United States District Court for the Northern District of New York. We dispute SUNY's claims. However, 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, financial condition and results of operations.

Third-party claims involving proprietary rights or other matters could also result in substantial settlement payments or substantial damages to be paid by us. For instance, a settlement might require us to enter a license agreement under which we would pay substantial royalties or other compensation to a third party, diminishing our future economic returns from the related drug. In October 2011, we entered into a settlement related to a trade secret and breach of contract litigation where we agreed to make an upfront payment of $2.7 million and a future contingent payment of $3.0 million if a certain drug candidate receives FDA approval. 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.

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

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own greater than 120 U.S. and 420 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 drugs. The scope of our patent claim coverage can be critical to our right to receive royalties from our collaboration partnerships. Since publication of discoveries in scientific or patent literature often lags behind the date of such discoveries, we cannot be certain that we were the first inventor of inventions covered by our patents or patent applications. 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.

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.

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

If we or our contract manufacturers are not able to manufacture and supply sufficient drug quantities meeting applicable quality standards required to support large clinical studies or commercial manufacturing in a timely manner, we risk delaying our clinical studies or those of our collaboration partners, reducing drug sales by our collaboration partners or breaching contractual obligations. As a result, we could incur substantial costs and damages, and reduce or even eliminate product or royalty revenue. In some cases, we rely on contract manufacturing organizations to manufacture and supply drug product for our clinical studies and those of our collaboration partners. Pharmaceutical manufacturing 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 variables. We have faced and may in the future face significant difficulties, delays and unexpected expenses as we validate third party contract manufacturers required for drug supply to support our clinical studies and the clinical studies and products of our collaboration partners. Failure by us or our contract manufacturers to supply drug product in sufficient quantities that meet all applicable quality requirements could result in supply shortages for our clinical studies or the clinical studies and commercial activities of our collaboration partners. Such failures could significantly and materially delay clinical trials and regulatory submissions or result in reduced sales, any of which could significantly harm our business prospects, results of operations and financial condition.

Failures in device manufacturing have similar effects. 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. We have experienced repeated significant delays in starting the Phase 3 clinical development program for Amikacin Inhale as we seek to finalize and validate the device design with a demonstrated capability to be manufactured at commercial scale. This work is ongoing and there remains significant risk in finalizing, validating, and producing the device at sufficient quantities meeting applicable quality requirements until this work is 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.

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 from which we receive contract research payments, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties and manufacturing revenue. Significant variations in the timing of receipt of cash payments and our recognition of revenue can result from significant milestone payments based on the execution of new collaboration agreements, the timing of clinical outcomes, regulatory approval, commercial launch and the achievement of certain annual sales thresholds. The amount of our revenue derived from collaboration agreements in any given period will depend on a number of unpredictable factors, including our ability to find and maintain suitable collaboration partners, the timing of the negotiation and conclusion of collaboration agreements with such partners, whether and when we or our collaboration partners achieve clinical, regulatory and sales milestones, the timing of regulatory approvals in one or more major markets, reimbursement levels by private and government payers, and the market introduction of new drugs or generic versions of the approved drug, as well as other factors.

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

When we sign a collaborative development agreement or license agreement to develop a drug 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 drug candidate; and/or
- market and sell the drugs 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 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 drugs that receive regulatory approval for commercialization, we must either develop internal sales, marketing and distribution capabilities, which would be expensive and time consuming, or enter into collaboration arrangements with third parties to perform these services. If we decide to market our products directly, we must commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. Factors that may inhibit our efforts to commercialize our products directly or indirectly with our partners include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to use or prescribe our products;

- the lack of complementary products or multiple product pricing arrangements may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating and sustaining an independent sales and marketing organization.

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

To the extent we rely on other pharmaceutical or biotechnology companies with established sales, marketing and distribution systems to market our products, we will need to establish and maintain partnership arrangements, and we may not be able to enter into these arrangements on acceptable terms or at all. To the extent that we enter into co-promotion or other arrangements, any 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.

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 our costs 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 three months ended March 31, 2012, we reported a net loss of $41.1 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 drugs utilizing our technologies, either independently or in collaboration with other pharmaceutical or biotech companies;
- effectively estimate and manage clinical development costs, particularly the cost of the BEACON study and the Phase 2 clinical study for NKTR-181;
- receive necessary regulatory and marketing approvals;
- maintain or expand manufacturing at necessary levels;
- achieve market acceptance of our partnered products;

- receive royalties on products that have been approved, marketed or submitted for marketing approval with regulatory authorities; and
- maintain sufficient funds to finance our activities.

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

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

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

We depend on independent clinical investigators, contract research organizations and other third-party service providers to conduct clinical trials for our proprietary product candidates. We rely heavily on these parties for successful execution of our clinical trials. Though we are ultimately responsible for the results of their activities, many aspects of their activities are beyond our control. For example, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the 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.

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 Dr. Reddy's Laboratories Ltd., 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, 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, Progenics Pharmaceuticals, Inc. in collaboration with Salix Pharmaceuticals, Ltd., Mundipharma Int. Limited, Sucampo Pharmaceuticals, Alkermes, Inc. and Takeda Pharmaceutical Company Limited. For NKTR-102, 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.

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

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

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

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

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

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

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

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

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

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

Our stock price is volatile. During the three months ended March 31, 2012, based on closing bid prices on The NASDAQ Global Select Market, our stock price ranged from $8.22 to $5.68 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 studies and those of our collaboration partners, including data regarding efficacy and safety, delays in clinical development, regulatory approval or commercial launch;
- announcements by collaboration partners as to their plans or expectations related to drug candidates and approved drugs in which we have a substantial economic interest;
- announcements regarding terminations or disputes under our collaboration agreements;
- fluctuations in our results of operations;
- developments in patent or other proprietary rights, including intellectual property litigation or entering into intellectual property license agreements and the costs associated with those arrangements;
- announcements of technological innovations or new therapeutic products that may compete with our approved products or products under development;
- announcements of changes in governmental regulation affecting us or our competitors;
- 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.

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

None, including no purchases of any class of our equity securities by us or any affiliate pursuant to any publicly announced repurchase plan in the three months ended March 31, 2012.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

Exhibit Number	Description of Documents
10.1(1)	Purchase and Sale Agreement, dated as of February 24, 2012, between Nektar Therapeutics and RPI Finance Trust.+
31.1(1)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(1)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1(1)*	Section 1350 Certifications.

Exhibit Number	Description of Documents
101**	The following materials from Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL(Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Operations, (iii) the unaudited Condensed Consolidated Statements of Comprehensive Loss, (iv) the unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

(1) Filed herewith.

\+ 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.

* 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.

** Exhibit 101 is being furnished and, in accordance with Rule 406T of Regulation S-T, 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 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: /S/ JOHN NICHOLSON
John Nicholson
Senior Vice President and Chief Financial Officer
Date: May 3, 2012

By: /S/ JILLIAN B. THOMSEN
Jillian B. Thomsen
Senior Vice President, Finance and Chief Accounting Officer
Date: May 3, 2012

EXHIBIT INDEX

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** Exhibit 101 is being furnished and, in accordance with Rule 406T of Regulation S-T, 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 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.

*****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 10.1

EXECUTION COPY

PURCHASE AND SALE AGREEMENT

dated as of February 24, 2012

between

NEKTAR THERAPEUTICS

and

RPI FINANCE TRUST

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PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "Purchase and Sale Agreement"), dated as of February 24, 2012, is between Nektar Therapeutics, a Delaware corporation (the "Seller"), and RPI Finance Trust, a Delaware statutory trust (the "Purchaser").

W I T N E S S E T H :

WHEREAS, the Seller has the right to receive royalties under the License Agreements; and

WHEREAS, the Seller desires to sell, contribute, assign, transfer, convey and grant to the Purchaser, and the Purchaser desires to purchase, acquire and accept from the Seller, the Purchased Assets described herein, upon and subject to the terms and conditions set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations and warranties set forth herein and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties covenant and agree as follows:

ARTICLE I
DEFINED TERMS AND RULES OF CONSTRUCTION

Section 1.1 Defined Terms. The following terms, as used herein, shall have the following respective meanings:

"Affiliate" means, with respect to any designated Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such designated Person. For purposes of this definition, "control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative to the foregoing.

"Applicable Law" means, with respect to any Person, all laws, rules, regulations and orders of Governmental Authorities applicable to such Person or any of its properties or assets.

"Bankruptcy Event" means the occurrence of any of the following in respect of any Person: (a) an admission in writing by such Person of its inability to pay its debts as they become due or a general assignment by such Person for the benefit of creditors; (b) the filing of any petition or answer by such Person seeking to adjudicate itself as bankrupt or insolvent, or seeking for itself any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of such Person or its debts under any law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization, examination, relief of debtors or other similar law now or hereafter in effect, or seeking, consenting to or acquiescing in the entry of an order for relief in any case under any such law, or the appointment of or taking possession by a receiver, trustee, custodian, liquidator, examiner, assignee, sequestrator or other similar official for such Person or for any substantial part of its property; (c) corporate or other entity action taken by such Person to authorize any of the actions set forth in clause (a) or (b) of this definition; or (d) without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar statute, law or regulation, or the filing of any such petition against such

Person, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person, in each case where such petition or order shall remain unstayed or shall not have been stayed or dismissed within thirty (30) days from entry thereof.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by Applicable Law to remain closed.

"Capital Securities" means, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued after the Closing Date, including common shares, ordinary shares, preferred shares, membership interests or share capital in a limited liability company or other Person, limited or general partnership interests in a partnership, beneficial interests in trusts or any other equivalent of such ownership interest or any options, warrants and other rights to acquire such shares or interests, including rights to allocations and distributions, dividends, redemption payments and liquidation payments.

"Closing" has the meaning set forth in Section 6.1.

"Closing Date" has the meaning set forth in Section 6.1.

"Code" means the U.S. Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Confidentiality Agreement" means that certain letter agreement, dated [***], by and between the Seller and RP Management, LLC, an Affiliate of the Purchaser.

"Consent Standard" means, for purposes of Sections 5.5(a) and (b), [***].

"Counterparty" means, as the context requires, UCB or Roche.

"Counterparty Agreements" means, collectively, the UCB Agreements and the Roche License Agreement.

"Counterparty Instructions" means the UCB Instruction and the Roche Instruction.

"Counterparty Sublicensee" means, as the context requires, a Roche Sublicensee or a UCB Sublicensee.

"Defaulting Party" has the meaning set forth in Section 5.5(d).

"Designated Affiliate" has the meaning set forth in Section 2.6.

"Designated Assets" has the meaning set forth in Section 2.6.

"Disputes" has the meaning set forth in Section 3.11(i).

"Dollar" or the sign "$" means United States dollars.

"Enzon Agreement" means that certain Cross-License and License Option Agreement, dated as of January 7, 2002, by and among Enzon, Inc., Inhale Therapeutic Systems, Inc. and the Seller (as successor to Shearwater Corporation).

"Excluded Liabilities and Obligations" has the meaning set forth in Section 2.4.

"Excluded Payments" means all amounts due or paid to the Seller or any of its Affiliates (a) resulting from the supply of Reagent by the Seller or any of its Affiliates pursuant to Clause 4 of the Roche License Agreement and Clause 7.5 of the UCB License Agreement and (b) pursuant to Clause 12.4, subclauses (a) and (b) of Clause 12.5 and Clause 13.3 of the Roche License Agreement.

"FDA" means the U.S. Food and Drug Administration and any successor agency thereto.

"First Commercial Sale" means, as the context requires, FIRST COMMERCIAL SALE (as defined in Clause 1.15 of the UCB License Agreement) and FIRST COMMERCIAL SALE (as defined in Clause 1.6 of the Roche License Agreement).

"Fourth Quarter Royalty Report" means the report provided pursuant to Clause 9.1.1 of the Roche License Agreement for the three-month period ending December 31.

"GAAP" means generally accepted accounting principles in effect in the United States from time to time.

"Governmental Authority" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority (including supranational authority), commission, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including each Patent Office, the FDA and any other government authority in any country.

[***]

"Intellectual Property Rights" means the UCB Intellectual Property Rights and the Roche Intellectual Property Rights.

"Knowledge" means, with respect to the Seller, [***].

"Know-How" means KNOW-HOW (as defined in Clause 1.3 of the UCB License Agreement) and KNOW-HOW (as defined in Clause 1.7 of the Roche License Agreement).

"License Agreements" means the Roche License Agreement and the UCB License Agreement.

"Licensed Products" means the Roche Licensed Products and the UCB Licensed Products.

"Licensor" means, at the time of the Closing, the Seller and, after the Closing, the Purchaser.

"Lien" means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property or other priority or preferential arrangement of any kind or nature whatsoever, including any conditional sale or any sale with recourse, or any other restriction on transfer.

"Loss" means any loss, liability, cost, expense (including reasonable costs of investigation and defense and reasonable attorneys' fees and expenses), charge, fine, penalty, obligation, judgment, award, assessment, claim or cause of action.

"Manufacturing Matters" means matters relating solely to the manufacture, supply or purchase of Roche Reagent or the UCB Reagent, as applicable.

[***]

"Material Adverse Effect" means a material adverse effect on (a) the legality, validity or enforceability of any of the Transaction Documents or the License Agreements, (b) the ability of the Seller to perform its obligations under any of the Transaction Documents or the License Agreements, (c) the rights or remedies of the Purchaser under any of the Transaction Documents or the License Agreements, (d) the right of the Purchaser to receive the Royalties, the timing, amount or duration of the Royalties, or the right to receive royalty reports and other information (including audit information) on the terms set forth in the Counterparty Agreements and this Purchase and Sale Agreement, or (e) the business of the Seller and its Subsidiaries, taken as a whole.

"New Arrangement" means, as the context requires, a Roche New Arrangement or a UCB New Arrangement.

"Party" shall mean the Seller or the Purchaser, as the context requires, and "Parties" shall mean, together, the Seller and the Purchaser.

"Patent Office" means the applicable patent office, including the United States Patent and Trademark Office and any comparable foreign patent office, for any Intellectual Property Rights that are Patents.

"Patents" means the Roche Patents and the UCB Patents.

"Permitted Lien" means any Lien created or existing under any of the Counterparty Agreements.

"Permitted Tax Withholding" means (a) in the case of the Roche License Agreement, any Tax withholding expressly permitted under Clause 9.1.2 of the Roche License Agreement and (b) in the case of the UCB License Agreement, any Tax withholding expressly permitted under the second subclause (c) of Clause 8.1 of the UCB License Agreement, in each case except to the extent that any such Tax withholding taken by either Counterparty against any Royalties constitutes a Specified Tax Withholding.

"Person" means any natural person, firm, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or any other legal entity, including public bodies, whether acting in an individual, fiduciary or other capacity.

"Prime Rate" means, at any date, the most recent rate of interest published in the "Money Rates" section of The Wall Street Journal under the designation "U.S. Prime Rate".

"Products" means the Roche Licensed Products and the UCB Licensed Products.

"Purchase and Sale Agreement" has the meaning set forth in the preamble.

"Purchase Price" has the meaning set forth in Section 2.2.

"Purchased Assets" means, collectively, the Seller's (a) right, title and interest in, to and under the Roche License Agreement to receive all of the Roche Royalties and (b) right, title and interest in, to and under the UCB License Agreement to receive all of the UCB Royalties.

"Purchaser" has the meaning set forth in the preamble.

"Purchaser Account" has the meaning set forth in Section 5.4(b).

"Purchaser Indemnified Party" has the meaning set forth in Section 7.1.

"Reagent" means the Roche Reagent and the UCB Reagent.

"Regulatory Agency" means a Governmental Authority with responsibility for the approval of the marketing and sale of pharmaceuticals or other regulation of pharmaceuticals in any country.

"Regulatory Approvals" means, collectively, all regulatory approvals, registrations, certificates, authorizations, permits and supplements thereto, as well as associated materials (including the product dossier) pursuant to which the Products may be marketed, sold and distributed by Roche or UCB, as the case may be, in a jurisdiction, issued by the appropriate Regulatory Agency.

"Restricted Person" means a Person primarily in the business of [***].

"Roche" means, together, F. Hoffmann-La Roche Ltd. and Hoffmann-La Roche, Inc.

"Roche Affiliate" means any AFFILIATE (as defined in Clause 1.1 of the Roche License Agreement) of Roche.

"Roche Bill of Sale" means that certain bill of sale, dated as of the Closing Date, executed by the Seller and the Purchaser, substantially in the form of Exhibit A-1.

"Roche Consent" means that certain letter agreement, dated [***], by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Roche.

"Roche Financing Statement" means that certain financing statement, dated as of the Closing Date, substantially in the form of Exhibit L-1.

"Roche Instruction" means the irrevocable direction to Roche in the form set forth in Exhibit B.

"Roche Intellectual Property Rights" means LICENSED TECHNOLOGY (as defined in Clause 1.9 of the Roche License Agreement), to the extent licensed to Roche under the Roche License Agreement.

"Roche License Agreement" means, [***].

"Roche Licensed Products" means PRODUCT (as defined in Clause 1.14 of the Roche License Agreement).

"Roche Manufacturing Information" means any and all information relating solely to the manufacture, supply or purchase of Roche Reagent, and the respective rights and obligations of the Seller or Roche in respect thereof.

"Roche Net Sales" means NET SALES (as defined in Clause 1.12.1 of the Roche License Agreement).

"Roche New Arrangement" has the meaning set forth in Section 5.6(a).

"Roche Patents" means NEKTAR PATENT RIGHTS (as defined in Clause 1.17 of the Roche License Agreement), to the extent included in the Roche Intellectual Property Rights.

"Roche Reagent" means REAGENT (as defined in Clause 1.15 of the Roche License Agreement).

"Roche Royalties" means [***].

"Roche Royalty Reports" means the royalty reports delivered to the Seller and the Purchaser by Roche pursuant to Clause 9.1.1 of the Roche License Agreement setting forth Roche Net Sales for each calendar quarter during the years ending December 31, 2012 and 2013.

"Roche Royalty Term" means the period commencing on the Royalties Commencement Date and ending on the last day of the last to expire ROYALTY TERM (as defined in Clause 1.16 of the Roche License Agreement).

"Roche Sublicensee" means any SUBLICENSEE (as defined in Clause 1.20 of the Roche License Agreement) of Roche.

"Roche Valid Claim" means any VALID PATENT CLAIM (as defined in Clause 1.23 of the Roche License Agreement).

"Royalties" means the Roche Royalties and the UCB Royalties.

"Royalties Commencement Date" means January 1, 2012.

"Royalty Reduction" has the meaning set forth in Section 3.13 (f); provided, however, that "Royalty Reduction" shall not include any Set-off or Specified Tax Withholding.

"Royalty Term" means, as the case may be, the Roche Royalty Term or the UCB Royalty Term.

"SEC" means the U.S. Securities and Exchange Commission.

"Seller" has the meaning set forth in the preamble.

"Seller Account" has the meaning set forth in Section 5.4(d).

"Seller Indemnified Party" has the meaning set forth in Section 7.2.

"Seller Overpayment" has the meaning set forth in Section 2.3(d).

"Seller Underpayment" has the meaning set forth in Section 2.3(e).

"Set-off" means any set-off or off-set; provided, however, that "Set-off" shall not include any Royalty Reduction or Specified Tax Withholding.

"Specified Tax Withholding" has the meaning set forth in Section 5.8(b).

"Sublicensee" means, as the context requires, a Roche Sublicensee or a UCB Sublicensee.

"Subsidiary" means, with respect to any Person, any other Person of which more than 50% of the outstanding Voting Securities of such other Person (irrespective of whether at the time Capital Securities of any other class or classes of such other Person shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

[***]

"Tax" or "Taxes" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, abandoned property, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Third Party" means any Person that is not a Party.

"Third Party Claim" means any claim, action, suit or proceeding by a Third Party, including any investigation by any Governmental Authority.

"Transaction Documents" means this Purchase and Sale Agreement, the Roche Bill of Sale, the UCB Bill of Sale and the Counterparty Instructions.

"UCB" means UCB Celltech, the U.K. registered branch of UCB Pharma S.A.

"UCB Affiliate" means any AFFILIATE (as defined in Clause 1.12 of the UCB License Agreement) of UCB.

"UCB Agreements" means, collectively, [***].

"UCB Bill of Sale" means that certain bill of sale, dated as of the Closing Date, executed by the Seller and the Purchaser, substantially in the form of Exhibit A-2 (as may be modified, at or prior to the Closing, if a Designated Affiliate is designated pursuant to Section 2.6).

"UCB Consent" means that certain letter agreement, dated as of [***], by and between the Seller (as successor to Shearwater Corporation and Nektar Therapeutics AL, Corporation) and UCB (as successor to Celltech Chiroscience Ltd. and Celltech R&D Limited).

"UCB Financing Statement" means that certain financing statement, dated as of the Closing Date, substantially in the form of Exhibit L-2 (as may be modified, at or prior to the Closing, if a Designated Affiliate is designated pursuant to Section 2.6).

"UCB Instruction" means the irrevocable direction to UCB in the form set forth in Exhibit C (as may be modified, at or prior to the Closing, if a Designated Affiliate is designated pursuant to Section 2.6).

"UCB Intellectual Property Rights" means LICENSED TECHNOLOGY (as defined in Clause 1.4 of the UCB License Agreement), to the extent licensed to UCB under the UCB License Agreement.

"UCB License Agreement" means, [***].

"UCB Licensed Products" means PRODUCT (as defined in Clause 1.7 of the UCB License Agreement).

"UCB Manufacturing Information" means any and all information relating solely to the manufacture, supply or purchase of UCB Reagent, and the respective rights and obligations of the Seller or UCB in respect thereof.

"UCB Manufacturing Process" means MANUFACTURING PROCESS (as defined in the UCB Technology Transfer Agreement).

"UCB New Arrangement" has the meaning set forth in Section 5.6(b).

"UCB Patents" means SHEARWATER PATENT RIGHTS (as defined in Clause 1.1 of the UCB License Agreement), to the extent included in the UCB Intellectual Property Rights.

"UCB Reagent" means REAGENT (as defined in Clause 1.6 of the UCB License Agreement).

"UCB Royalties" means [***].

"UCB Royalty Term" means the period commencing on the Royalties Commencement Date and ending on the date on which the UCB License Agreement expires pursuant to Clause 11.1 thereof.

"UCB Sublicensee" means any SUBLICENSEE (as defined in Clause 1.13 of the UCB License Agreement) of UCB.

[***].

"UCB Valid Claim" means any VALID PATENT CLAIM (as defined in Clause 1.2 of the UCB License Agreement).

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Delaware; provided, that, if, with respect to any financing statement or by reason of any provisions of law, the perfection or the effect of perfection or non-perfection of the back-up security interest or any portion thereof granted pursuant to Section 2.1(d) is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than the State of Delaware, then "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of this Purchase and Sale Agreement and any financing statement relating to such perfection or effect of perfection or non-perfection.

"U.S." or "United States" means the United States of America, its 50 states, each territory thereof and the District of Columbia.

"Voting Securities" means, with respect to any Person, Capital Securities of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

Section 1.2 Rules of Construction.

(a) Unless the context otherwise requires, in this Purchase and Sale Agreement:

(i) a term has the meaning assigned to it and an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(ii) unless otherwise defined, all terms that are defined in the UCC shall have the meanings stated in the UCC;

(iii) words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders;

(iv) the terms "include," "including" and similar terms shall be construed as if followed by the phrase "without limitation";

(v) unless otherwise specified, references to a contract or agreement include references to such contract or agreement as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with its terms (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth herein), and include any annexes, exhibits and schedules hereto or thereto, as the case may be; provided, however, that, unless otherwise specified, terms defined in Section 1.1 by reference to any other contract or agreement shall be deemed to refer to such contract or agreement as in effect on the date of this Purchase and Sale Agreement;

(vi) any reference to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment, transfer or delegation set forth herein or in any of the other Transaction Document) and any reference to a Person in a particular capacity excludes such Person in other capacities;

(vii) references to any Applicable Law shall include such Applicable Law as from time to time in effect, including any amendment, modification, codification, replacement, or reenactment thereof or any substitution therefor;

(viii) the word "will" shall be construed to have the same meaning and effect as the word "shall";

(ix) the words "hereof," "herein," "hereunder" and similar terms shall refer to this Purchase and Sale Agreement as a whole and not to any particular provision hereof, and Article, Section and Exhibit references herein are references to Articles and Sections of, and Exhibits to, this Purchase and Sale Agreement unless otherwise specified;

(x) the definitions of terms shall apply equally to the singular and plural forms of the terms defined;

(xi) in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding";

(xii) where any payment is to be made, any funds are to be applied or any calculation is to be made under this Purchase and Sale Agreement on a day that is not a Business Day, unless this Purchase and Sale Agreement otherwise provides, such payment shall be made, such funds shall be applied and such calculation shall be made on the succeeding Business Day, and payments shall be adjusted accordingly; and

(xiii) any reference to a term that is defined by reference to its meaning in a License Agreement shall refer to such term's meaning in such License Agreement as in existence on the date hereof (and not to any new, substituted or amended version thereof).

(b) The provisions of this Purchase and Sale Agreement shall be construed according to their fair meaning and neither for nor against either Party irrespective of which Party caused such provisions to be drafted. Each Party acknowledges that it has been represented by an attorney in connection with the preparation and execution of this Purchase and Sale Agreement and the other Transaction Documents.

ARTICLE II
PURCHASE AND SALE OF THE PURCHASED ASSETS

Section 2.1 Purchase and Sale.

(a) Subject to the terms and conditions of this Purchase and Sale Agreement, on the Closing Date, the Seller hereby sells, contributes, assigns, transfers, conveys and grants to the Purchaser, and the Purchaser hereby purchases, acquires and accepts from the Seller, all of the Seller's rights, title and interest in and to the Purchased Assets, free and clear of any and all Liens, other than those Liens created under the Transaction Documents and the UCB Consent.

(b) The Seller and the Purchaser intend and agree that the sale, contribution, assignment, transfer, conveyance and granting of the Purchased Assets under this Purchase and Sale Agreement shall be, and are, a true, complete, absolute and irrevocable assignment and sale by the Seller to the Purchaser of the Purchased Assets and that such assignment and sale shall provide the Purchaser with the full benefits of ownership of the Purchased Assets. Neither the Seller nor the Purchaser intends the transactions contemplated hereby to be, or for any purpose characterized as, a loan from the Purchaser to the Seller or a pledge or assignment or a security agreement. The Seller waives any right to contest or otherwise assert that this Purchase and Sale Agreement does not constitute a true, complete, absolute and irrevocable sale and assignment by the Seller to the Purchaser of the Purchased Assets under Applicable Law, which waiver shall be enforceable against the Seller in any Bankruptcy Event in respect of the Seller. The sale, contribution, assignment, transfer, conveyance and granting of the Purchased Assets shall be reflected on the Seller's financial statements and other records as a sale of assets to the Purchaser (except to the extent GAAP or the rules of the SEC require otherwise with respect to the Seller's consolidated financial statements).

(c) The Seller hereby authorizes the Purchaser to execute, record and file, and consents to the Purchaser executing, recording and filing, at the Purchaser's sole cost and expense, financing statements in the appropriate filing offices under the UCC (and continuation statements with respect to such financing statements when applicable), and amendments thereto, in such manner and in such jurisdictions as are necessary or appropriate to evidence or perfect the sale, contribution, assignment, transfer, conveyance and grant by the Seller to the Purchaser, and the purchase, acquisition and acceptance by the Purchaser from the Seller, of the Purchased Assets and to perfect the security interest in the Purchased Assets granted by the Seller to the Purchaser pursuant to Section 2.1(d).

(d) Notwithstanding that the Seller and the Purchaser expressly intend for the sale, contribution, assignment, transfer, conveyance and granting of the Purchased Assets to be a true, complete, absolute and irrevocable sale and assignment, the Seller hereby assigns, conveys, grants and pledges to the Purchaser, as security for its obligations created hereunder in the event that the transfer contemplated by this Purchase and Sale Agreement is held not to be a sale, a first priority security interest in and to all of the Seller's right, title and interest in, to and under the Purchased Assets and, in such event, this Purchase and Sale Agreement shall constitute a security agreement.

Section 2.2 Purchase Price. In full consideration for the sale, contribution, assignment, transfer, conveyance and granting of the Purchased Assets, and subject to the terms and conditions set forth herein, the Purchaser shall pay (or cause to be paid) to the Seller, or the Seller's designee, at the Closing, the sum of ONE HUNDRED TWENTY-FOUR MILLION DOLLARS ($124,000,000), in immediately available funds by wire transfer to the Seller Account (the "Purchase Price"). The Purchase Price shall be allocated among the Purchased Assets in accordance with the allocation set forth on Exhibit I, which the Parties agree shall be final and binding and shall be amended following the Closing to reflect the adjustment of the Purchase Price allocated to the Purchased Assets described in clause (a) of the definition thereof in the amount of any payments made to or by Purchaser under Section 2.3, and the Parties agree not to take any position that is inconsistent with such allocation on any Tax return or in any audit or other Tax-related administrative or judicial proceeding, unless taking such a position is required by Applicable Law.

Section 2.3 Roche Net Sales Repayment.

(a) [***] following the Seller's receipt of the Fourth Quarter Royalty Report setting forth Roche Net Sales through each of December 31, 2012 and December 31, 2013, the Seller shall provide the Purchaser with a written notice detailing the Seller's calculation of worldwide Roche Net Sales for the twelve (12) month period ending on such December 31. [***] the Seller provides such written notice to the Purchaser, the Seller shall pay to the Purchaser any amount that is payable to the Purchaser under this Section 2.3.

(b) If worldwide Roche Net Sales for the twelve (12) month period ending December 31, 2012:

(i) are equal to or greater than [***], then, except as otherwise provided under Sections 2.3(d) and 2.3(e), the Seller shall not owe the Purchaser any payment, and the Seller shall have no further obligation, under this Section 2.3;

(ii) are less than [***] but equal to or greater than [***], then the Seller shall pay $3,000,000 to the Purchaser and, except as otherwise provided under Sections 2.3(d) and 2.3(e), following the Seller making such payment to the Purchaser, the Seller shall not owe the Purchaser any further payment, and the Seller shall have no further obligation, under this Section 2.3; or

(iii) are less than [***], then the Seller shall pay $3,000,000 to the Purchaser and, following the Seller making such payment to the Purchaser, the Seller shall remain subject to the potential payment obligations set forth in Section 2.3(c).

(c) If worldwide Roche Net Sales for the twelve (12) month period ending December 31, 2012 are less than [***] and worldwide Roche Net Sales for the twelve (12) month period ending December 31, 2013:

(i) are equal to or greater than [***], then the Seller shall not owe the Purchaser any payment under this Section 2.3(c);

(ii) are less than [***] but equal to or greater than [***], then the Seller shall pay $3,000,000 to the Purchaser; or

(iii) are less than [***], then the Seller shall pay $7,000,000 to the Purchaser.

(d) If the Seller makes any payment to the Purchaser under this Section 2.3 for the twelve (12) month period ended December 31, 2012 or 2013, and, subsequent thereto, (i)(x) it is determined that the actual Roche Net Sales for such period were greater than the Roche Net Sales for such period set forth in the applicable Roche Royalty Reports for such period and (y) the amount of the payment actually made by the Seller to the Purchaser for such period under this Section 2.3 was greater than the amount of the payment that would have been required to be made by the Seller to the Purchaser for such period under this Section 2.3 if such actual Roche Net Sales had been set forth in such Roche Royalty Reports (such excess amount, a "Seller Overpayment") and (ii) Roche or the Seller shall have paid to the Purchaser Roche Royalties in an amount equal to the excess of (A) the amount of Roche Royalties that should have been paid to the Purchaser for such period in respect of such actual Roche Net Sales over (B) the amount of Roche Royalties actually paid to the Purchaser for such period, the Purchaser shall [***] after receipt of such Roche Royalties, pay to the Seller the full amount of such Seller Overpayment. If the Purchaser is obligated to make any payment to the Seller under this Section 2.3(d) for the twelve (12) month period ended December 31, 2012, the Seller's obligations under Section 2.3(c) shall be determined based on such actual Roche Net Sales for the twelve (12) month period ended December 31, 2012.

(e) If (i)(x) it is determined that the actual Roche Net Sales for the twelve (12) month period ended December 31, 2012 or 2013 were less than the Roche Net Sales for such period set forth in the applicable Roche Royalty Reports for such period and (y) the Seller would have been obligated to make a payment to the Purchaser for such period under this Section 2.3 in an amount greater than the amount of the payment actually made by the Seller to the Purchaser for such period under this Section 2.3 if such actual Roche Net Sales had been set forth in such Roche Royalty Reports (such shortfall, a "Seller Underpayment") and (ii) the Purchaser shall have paid to Roche or the Seller an amount equal to the excess of (A) the amount of Roche Royalties actually paid to the Purchaser for such period over (B) the amount of Roche Royalties that should have been paid to the Purchaser for such period in respect of such actual Roche Net Sales, the Seller shall [***] after receipt of such payment from the Purchaser (or, if the Purchaser shall have made such payment to Roche, documentary evidence reasonably satisfactory to the Seller that Roche received such payment), pay to the Purchaser the full amount of such Seller Underpayment. If the Seller is obligated to make any payment to the Purchaser under this Section 2.3(e) for the twelve (12) month period ended December 31, 2012, the Seller's obligations under Section 2.3(c) shall be determined based on such actual Roche Net Sales for the twelve (12) month period ended December 31, 2012.

(f) Any and all payments required to be made under this Section 2.3 shall be made in accordance with Section 5.4. A late fee of [***] over the Prime Rate will accrue on all amounts due under this Section 2.3 but unpaid from the date any such payment was due until such payment is made in full.

Section 2.4 No Assumed Obligations. Notwithstanding any provision in this Purchase and Sale Agreement or any other writing to the contrary, the Purchaser is purchasing, acquiring and accepting only the Purchased Assets and is not assuming any liability or obligation of the Seller or any of the Seller's Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter, including any liability or obligation of the Seller under the Counterparty Agreements, the Enzon Agreement or [***]. All such liabilities and obligations shall be retained by, and remain liabilities and obligations of, the Seller or the Seller's Affiliates, as the case may be (the "Excluded Liabilities and Obligations").

Section 2.5 Excluded Assets. The Purchaser does not, by purchase, acquisition or acceptance of the right, title or interest granted hereunder or otherwise pursuant to any of the Transaction Documents, purchase, acquire or accept any assets or contract rights of the Seller under any of the Counterparty Agreements, other than the Purchased Assets, or any other assets of the Seller.

Section 2.6 Designee. The Parties agree that the Purchaser may, at or prior to the Closing, designate, in substitution of the Purchaser, an Affiliate of the Purchaser, which Affiliate may not be a Restricted Person (a "Designated Affiliate"), to purchase from the Seller pursuant to Section 2.1, the Purchased Assets described in clause (b) of the definition thereof (the "Designated Assets") and to exercise the rights of the Purchaser in respect of the Designated Assets under Section 2.1, to own full beneficial and legal ownership of the Designated Assets, and to execute and deliver such agreements and other documents, and to take such other actions, as may be necessary or desirable in connection with the consummation of the purchase and sale of beneficial and legal ownership of the Designated Assets under Section 2.1. If the Purchaser designates a Designated Affiliate under this Section 2.6, then the term "Purchaser," as used in connection with the right to receive the UCB Royalties and the rights in respect of the Designated Assets under Section 2.1, shall be deemed to refer to such Designated Affiliate. Notwithstanding any such designation of a Designated Affiliate by the Purchaser, (a) all other references to the "Purchaser" in this Purchase and Sale Agreement shall continue to be references to RPI Finance Trust and (b) except for and in respect of the Designated Affiliate's right to purchase the Designated Assets under Section 2.1, to receive the UCB Royalties pursuant to the UCB Instruction, to exercise the rights of the Purchaser in respect of the Designated Assets under Section 2.1 and to own full beneficial and legal ownership of the Designated Assets, the Designated Affiliate (x) shall not have any rights under this Purchase and Sale Agreement, including any right hereunder to receive any royalty reports, notices or other information, to provide any consent or to exercise or enforce any remedy, it being understood and agreed that all such rights and remedies under this Purchase and Sale Agreement shall be exercised and enforced solely by the Purchaser on behalf of the Designated Affiliate and (y) shall have no recourse, under this Purchase and Sale Agreement or otherwise, against the Seller. For the avoidance of doubt, the Seller shall have no recourse, under this Purchase and Sale Agreement or otherwise, against the Designated Affiliate, or any of its directors, officers, partners, employees, agents or controlling individuals.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Purchaser, as of the date hereof, as follows:

Section 3.1 Organization . The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority, and all licenses, permits, franchises, authorizations, consents and approvals of all Governmental Authorities, required to own its property and conduct its business, as now conducted, and to exercise its rights and to perform its obligations under the Counterparty Agreements. The Seller is duly qualified to transact business and is in good standing in every jurisdiction in which such qualification or standing is required by Applicable Law (except where the failure to be so qualified or in good standing would not have a Material Adverse Effect). Neither the Purchaser nor, to the Knowledge of the Seller, any of its partners, members or controlling Persons, is an Affiliate of the Seller or any of its Subsidiaries.

Section 3.2 No Conflicts.

(a) The execution and delivery by the Seller of any of the Transaction Documents, the performance by the Seller of its obligations hereunder or thereunder or the consummation by the Seller of the transactions contemplated hereby or thereby will not (i) contravene, conflict with or violate any term or provision of any of the organizational documents of the Seller or any of its Subsidiaries, (ii) contravene, conflict with or violate, or give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, any Applicable Law or any judgment, order, writ, decree, permit or license of any Governmental Authority to which the Seller or any of its Subsidiaries or any of their respective assets or properties may be subject or bound, (iii) result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, or give any Person the right to exercise any remedy or obtain any additional rights under, or accelerate the maturity or performance of, or payment under, or cancel or terminate, (A) except as would not have a Material Adverse Effect, any contract, agreement, indenture, lease, license, deed, commitment, obligation or instrument to which the Seller or any of its Subsidiaries is a party or by which the Seller or any of its Subsidiaries or any of their respective assets or properties is bound or committed (other than the Counterparty Agreements) or (B) any Counterparty Agreement, or (iv) except as provided in any of the Transaction Documents, result in or require the creation or imposition of any Lien on the Intellectual Property Rights, the Licensed Products, the Counterparty Agreements or the Purchased Assets.

(b) Except for Permitted Liens, the Seller has not granted, nor does there exist, any Lien on or relating to the Counterparty Agreements, the Intellectual Property Rights or the Licensed Products. Except for Liens created under the Transaction Documents and the UCB Consent, the Seller has not granted, nor does there exist, any Lien on or relating to the Purchased Assets. Except for the license granted by the Seller to each Counterparty under the Counterparty Agreements, there are no licenses, sublicenses or other rights under the Intellectual Property Rights that have been granted to any Third Party.

Section 3.3 Authorization. The Seller has all necessary corporate power and authority to execute and deliver the Transaction Documents, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of each of the Transaction Documents and the performance by the Seller of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of the Seller. Each of the Transaction Documents has been duly executed and delivered by an authorized officer of the Seller. Each of the Transaction Documents constitutes the legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general equitable principles.

Section 3.4 Ownership. The Seller is the exclusive owner of the entire right, title (legal and equitable) and interest in, to and under the Purchased Assets and the Intellectual Property Rights. The Seller has duly and legally filed or applied for registration for its ownership interest in the Patents included in the Intellectual Property Rights, including the Patents listed on Exhibit D, in the appropriate agencies and in the jurisdictions listed on Exhibit D. The Purchased Assets sold, contributed, assigned, transferred, conveyed and granted to the Purchaser on the Closing Date have not been pledged, sold, contributed, assigned, transferred, conveyed or granted by the Seller to any other Person. The Seller has full right to sell, contribute, assign, transfer, convey and grant the Purchased Assets to the Purchaser. Upon the sale, contribution, assignment, transfer, conveyance and granting by the Seller of the Purchased Assets to the Purchaser, the Purchaser shall acquire good and marketable title to the Purchased Assets free and clear of all Liens, other than those Liens created under the Transaction Documents and the UCB Consent, and shall be the exclusive owner of the Purchased Assets. The Purchaser shall have the same rights as the Seller would have with respect to the Purchased Assets (if the Seller were still the owner of such Purchased Assets) against any other Person.

Section 3.5 Governmental and Third Party Authorizations. The execution and delivery by the Seller of the Transaction Documents, the performance by the Seller of its obligations hereunder and thereunder and the consummation by the Seller of the transactions contemplated hereby and thereby do not require any consent, approval, license, order, authorization or declaration from, notice to, action or registration by, or filing with, any Governmental Authority or any other Person, except for (i) the filing of a Current Report on Form 8-K with the SEC, (ii) the filing of UCC financing statements, (iii) the notice to UCB contained in the UCB Instruction, (iv) the notice to Roche contained in the Roche Instruction, (v) the Roche Consent and (vi) the UCB Consent.

Section 3.6 No Litigation.

(a) Except as otherwise set forth in Section 3.11(i), there is no action, suit, arbitration proceeding, claim, demand, citation, summons, subpoena or other proceeding (whether civil, criminal, administrative, regulatory or informal) (i) pending or, to the Knowledge of the Seller, threatened by or against the Seller or any of its Subsidiaries that would have a Material Adverse Effect or (ii) pending against the Seller or, to the Knowledge of the Seller, pending or threatened by or against UCB or Roche, in each case in respect of the Counterparty Agreements, the Intellectual Property Rights, the Licensed Products or the Purchased Assets, at law or in equity.

(b) Except as otherwise set forth in Section 3.11(i), there is no inquiry or investigation (whether civil, criminal, administrative, regulatory, investigative or informal) by or before a Governmental Authority (i) pending or, to the Knowledge of the Seller, threatened against the Seller or any of its Subsidiaries that would have a Material Adverse Effect or (ii) pending against the Seller or, to the Knowledge of the Seller, pending or threatened by or against UCB or Roche, in each case in respect of the Counterparty Agreements, the Intellectual Property Rights, the Licensed Products or the Purchased Assets.

(c) To the Knowledge of the Seller, and except for the matters covered by Section 3.11, as to which specific representations and warranties have been negotiated (the intent of the Parties being that any matter within the scope of Section 3.11 is not to be covered by this sentence), no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such action, suit, arbitration proceeding, claim, investigation, proceeding, inquiry or investigation referred to in Sections 3.6(a) or 3.6(b).

Section 3.7 Solvency. Immediately after giving effect to the consummation of the transactions contemplated by the Transaction Documents and the application of the proceeds therefrom, (a) the fair value of the Seller's assets will be greater than the sum of its debts, liabilities and other obligations, including contingent liabilities, (b) the present fair saleable value of the Seller's assets will be greater than the amount that would be required to pay its probable liabilities on its existing debts, liabilities and other obligations, including contingent liabilities, as they become absolute and matured in the normal course of business, (c) the Seller will be able to realize upon its assets and pay its debts, liabilities and other obligations, including contingent obligations, as they mature, (d) the Seller will not have unreasonably small capital with which to engage in its business, as now conducted and as proposed to be conducted following the Closing Date, (e) the Seller does not have any present plans or intentions to incur debts or other obligations or liabilities beyond its ability to pay such debts or other obligations or liabilities as they become absolute and matured, (f) the Seller will not have become subject to any Bankruptcy Event and (g) the Seller will not have been rendered insolvent within the meaning of Section 101(32) of Title 11 of

the United States Code. For purposes of this Section 3.7, the amount of all contingent obligations at any time shall be computed as the amount that, in light of all facts and circumstances existing at such time, can reasonably be expected to become an actual or matured liability.

Section 3.8 Tax Matters.

(a) No deduction or withholding for or on account of any Tax has been made from any payment to the Seller under either License Agreement and, following the Closing Date, the Seller believes that no such deduction or withholding will be made or is required under currently Applicable Law to be made from any payment to the Licensor under the License Agreements solely by reason of the fact that the Seller is a party to such License Agreement.

(b) There are no existing Liens for Taxes on the Purchased Assets (or any portion thereof).

Section 3.9 No Brokers' Fees. The Seller has not taken any action that would entitle any person or entity other than Morgan Stanley & Co. LLC, whose fees will be paid by the Seller, to any commission or broker's fee in connection with the transactions contemplated by this Purchase and Sale Agreement.

Section 3.10 Compliance with Laws. None of the Seller or any of its Subsidiaries (a) has violated or is in violation of, has been given notice of any violation of, or, to the Knowledge of the Seller, is under investigation with respect to or has been threatened to be charged with, any violation of, any Applicable Law or any judgment, order, writ, decree, injunction, stipulation, consent order, permit or license granted, issued or entered by any Governmental Authority or (b) is subject to any judgment, order, writ, decree, injunction, stipulation or consent order issued or entered by any Governmental Authority, in each case, that would have, individually or in the aggregate, a Material Adverse Effect.

Section 3.11 Intellectual Property Matters. Except as set forth on Schedule 3.11:

(a) Exhibit D sets forth an accurate and complete list of all issued Patents and pending Patents. For each Patent listed on Exhibit D, the Seller has indicated (i) the countries in which such Patent is pending, allowed, granted or issued, (ii) the patent number or patent serial number, (iii) the scheduled expiration date of each such issued Patent, (iv) the expected scheduled expiration date of each Patent issuing from such pending Patent application once issued and (v) the owner thereof.

(b) [***]

(c) [***]

(d) [***]

(e) [***]

(f) [***]

(g) There are no unpaid maintenance or renewal fees payable by the Seller to any Third Party that currently are overdue for any of the Patents. Except as set forth in Exhibit D, no Patents have lapsed or been abandoned, cancelled or expired. To the Knowledge of the Seller, each individual associated with the filing and prosecution of the Patents, including the named inventors of the Patents, has complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office,

including any duty to disclose to any Patent Office all information known by such inventors to be material to the patentability of the Patents (including any relevant prior art), in each case, in those jurisdictions where such duties exist.

(h) Subsequent to the issuance of each Patent, neither the Seller nor, to the Knowledge of the Seller, either Counterparty, has filed any disclaimer or made or permitted any other voluntary reduction in the scope of such Patent. To the Knowledge of the Seller, no allowable or allowed subject matter of the Patents is subject to any competing conception claims of allowable or allowed subject matter of any patents of any Third Party.

(i) [***], there is no pending or, to the Knowledge of the Seller, threatened opposition, interference, reexamination, injunction, claim, suit, action, citation, summon, subpoena, hearing, inquiry, investigation (by the International Trade Commission or otherwise), complaint, arbitration, mediation, demand, decree or other dispute, disagreement, proceeding or claim (collectively, "Disputes") challenging the legality, validity, scope, enforceability or ownership of any of the Intellectual Property Rights or that would give rise to any Royalty Reduction against the payments due to the Seller under the License Agreements. [***], there are no Disputes by or with any Third Party against the Seller involving either of the Products. The Intellectual Property Rights are not subject to any outstanding injunction, judgment, order, decree, ruling, change, settlement or other disposition of a Dispute.

(j) There is no pending action, suit, proceeding, investigation or claim and, to the Knowledge of the Seller, there is no threatened action, suit, proceeding, investigation or claim, and, to the Knowledge of the Seller, no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) would reasonably be expected to give rise to or serve as a basis for any action, suit, proceeding, investigation or claim by any Person to which (A) the Seller, or (B) to the Knowledge of the Seller, either Counterparty or any Sublicensee (in the case of this clause (B), solely as any such action, suit, proceeding, investigation or claim relates to the practice of the Intellectual Property Rights under the License Agreements), that claims that the manufacture, use, marketing, sale, offer for sale, importation or distribution of either Product does or could infringe on any patent or other intellectual property rights of any Third Party or constitute misappropriation of any other Person's trade secrets or other intellectual property rights. To the Knowledge of the Seller, there are no patents issued, and no pending patent applications, owned by any Third Party that, if issued, would limit or prohibit, in any material respect, the manufacture, use or sale of either Product by the Seller, either Counterparty or any of their respective sublicensees.

(k) MIRCERA® is a Roche Licensed Product and CIMZIA® is a UCB Licensed Product.

(l) To the Knowledge of the Seller, there is no Person infringing any of the Intellectual Property Rights, nor has the Seller received any notice under either of the License Agreements of infringement of any of the Intellectual Property Rights.

(m) The Seller and, to the Knowledge of the Seller, each Counterparty has taken all reasonable precautions to protect the secrecy, confidentiality and/or value of the applicable Know-How.

(n) The Intellectual Property Rights constitute all of the intellectual property owned or licensed by the Seller or any of the Seller's Affiliates necessary for the sale of the Products.

(o) Other than the Products, no Licensed Product is under development by the Seller or any of its Affiliates or, to the Knowledge of the Seller, either Counterparty or any of such Counterparty's Affiliates.

(p) No legal opinion concerning or with respect to any third party intellectual property rights relating to the Products, including any freedom-to-operate, product clearance, patentability or right-to-use opinion, has been delivered to the Seller.

(q) To the Knowledge of the Seller, there is no Person who is or claims to be an inventor under any Patent who is not a named inventor thereof.

(r) The patent [***] will expire on or before [***].

(s) [***]

(t) [***]

Section 3.12 Regulatory Approval, Manufacturing and Marketing.

(a) To the Knowledge of the Seller, each Counterparty is in compliance with its obligations to develop the Products, seek and obtain and maintain Regulatory Approval for the Products pursuant to the applicable License Agreement.

(b) To the Knowledge of the Seller, each of the Products has received Regulatory Approval for marketing and distribution for the indications and in the countries listed on Exhibit E.

Section 3.13 Counterparty Agreements.

(a) Other than the Transaction Documents, the Counterparty Agreements, the Confidentiality Agreement, the Enzon Agreement and [***], there is no contract, agreement or other arrangement (whether written or oral) to which the Seller or any of its Subsidiaries is a party or by which any of their respective assets or properties is bound or committed that affects or otherwise relates to the Purchased Assets, the Counterparty Agreements or the Intellectual Property Rights.

(b) Attached as Exhibit J are true, correct and complete copies of the Counterparty Agreements. The Seller has provided to the Purchaser true, correct and complete copies of (i) any confidentiality agreement relating to the Counterparty Agreements, (ii) all royalty reports delivered to the Seller by either Counterparty pursuant to Clause 9.1.1 of the Roche License Agreement or Clause 8.1 of the UCB License Agreement, as the case may be and (iii) all material notices and correspondence delivered to, or by, the Seller pursuant to, or relating to, the Counterparty Agreements (excluding, in the case of this clause (iii), any and all Roche Manufacturing Information and UCB Manufacturing Information).

(c) Each of the Counterparty Agreements is in full force and effect and is the legal, valid and binding obligation of the Seller and each Counterparty, enforceable against the Seller and each Counterparty in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and general equitable principles. The Seller is not in breach or violation of or in default under any of the Counterparty Agreements. There is no event or circumstance that, upon notice or the passage of time, or both, would constitute or give rise to any breach or default in the performance of any of the Counterparty Agreements by the Seller or, to the Knowledge of the Seller, either Counterparty.

(d) [***] There are no oral waivers or modifications (or pending requests therefor) in respect of any of the Counterparty Agreements. Except as set forth in [***], neither the Seller nor either Counterparty has agreed to amend or waive any provision of the Counterparty Agreements, and the Seller has not received or submitted any proposal to do so.

(e) Since the First Commercial Sale of the Roche Licensed Product, the Seller has, to the Knowledge of the Seller, received from Roche the full amount of the payments referred to in Section 8.2 of the Roche License Agreement. Since the First Commercial Sale of the UCB Licensed Product, the Seller has, to the Knowledge of the Seller, received from UCB the full amount of the payments referred to in Section 7.2 of the UCB License Agreement. No event has occurred that would give the Seller or either Counterparty the right to terminate any of the Counterparty Agreements or cease paying Royalties under either of the License Agreements. The Seller has not received any notice of an intention by either Counterparty to terminate or breach any of the Counterparty Agreements, in whole or in part, or challenging the validity or enforceability of any of the Counterparty Agreements or the obligation to pay the Royalties under either of the License Agreements, or alleging that the Seller or either Counterparty is currently in default of its obligations under any of the Counterparty Agreements. [***] The Seller has no intention of terminating any of the Counterparty Agreements and has not given either Counterparty any notice of termination of any of the Counterparty Agreements, in whole or in part.

(f) Except as provided in the License Agreements, the Seller is not a party to any agreement providing for any sharing of, or providing for or permitting any right of counterclaim, credit, reduction or deduction by contract or otherwise (a "Royalty Reduction") or permitting any Set-off against, the Royalties payable to the Licensor.

(g) The Seller has not consented to an assignment by either Counterparty of any of such Counterparty's rights or obligations under either License Agreement, and the Seller does not have Knowledge of any such assignment by either Counterparty. Except as contemplated by Section 2.1(a) and Section 2.1(d), the Seller has not assigned, in whole or in part, and has not granted, incurred or suffered to exist any Lien (other than Permitted Liens) on, the Counterparty Agreements or any of the Seller's rights, title or interest in or to the Intellectual Property Rights or the Licensed Products.

(h) Neither the Seller nor either Counterparty has made any claim of indemnification under any of the Counterparty Agreements.

(i) The Seller has not exercised its rights to conduct an audit under either of the License Agreements.

(j) To the Knowledge of the Seller, it has received all amounts owed to it under the License Agreements.

(k) [***]

(l) The Seller has not provided any written notice to UCB pursuant to Clause 3.4 of the UCB License Agreement. Roche has not provided any written notice to the Seller pursuant to Clause 1.1 of the Roche License Agreement.

(m) [***]

(n) [***]

(o) According to data reported by [***], the First Commercial Sale of MIRCERA® occurred [***]. According to data reported by [***], the First Commercial Sale of CIMZIA® occurred [***].

Section 3.14 UCC Matters. The Seller's exact legal name is, and for the preceding 10 years has been, "Nektar Therapeutics" or "Inhale Therapeutic Systems, Inc." The Seller's principal place of business is, and for the preceding 10 years has been, located in the State of California. The Seller's jurisdiction of organization is, and for the preceding 10 years has been, the State of Delaware. For the preceding 10 years, the Seller has not been the subject of any merger or other corporate or other reorganization in which its identity or status was materially changed, except in each case where it was the surviving or resulting Person.

Section 3.15 Set-off and Other Sources of Royalty Reduction. Neither Counterparty has any express right of Set-off under any contract or other agreement against the Royalties or any other amounts payable to the Seller under the Counterparty Agreements. Neither Counterparty has exercised, and, to the Knowledge of the Seller, neither Counterparty has had the right to exercise, and no event or condition exists that, upon notice or passage of time, or both, would permit either Counterparty to exercise, any Royalty Reduction or Set-off against the Royalties or any other amounts payable to the Seller under either of the License Agreements, including pursuant to Clause 8.4 of the Roche License Agreement or Clause 7.4 of the UCB License Agreement. To the Knowledge of the Seller, there are no Third Party patents that would provide a basis for a Royalty Reduction. There are no compulsory licenses granted or, to the Knowledge of the Seller, threatened to be granted with respect to the Intellectual Property Rights.

Section 3.16 Margin Stock. The Seller is not engaged in the business of extending credit for the purpose of buying or carrying margin stock, and no portion of the Purchase Price shall be used by the Seller for a purpose that violates Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller, as of the date hereof, as follows:

Section 4.1 Organization. The Purchaser is a statutory trust duly organized, validly existing and in good standing under the laws of the State of Delaware.

Section 4.2 No Conflicts. The execution and delivery by the Purchaser of any of the Transaction Documents to which the Purchaser is party, the performance by the Purchaser of its obligations hereunder or thereunder or the consummation by the Purchaser of the transactions contemplated hereby or thereby will not (i) contravene, conflict with or violate any term or provision of any of the organizational documents of the Purchaser, (ii) contravene, conflict with or violate, or give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, in any material respect, any Applicable Law or any judgment, order, writ, decree, permit or license of any Governmental Authority to which the Purchaser or any of its assets or properties may be subject or bound or (iii) result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, or give any Person any right to exercise any remedy, or accelerate the maturity or performance of, in any material respect, any contract, agreement, indenture, lease, license, deed, commitment, obligation or instrument to which the Purchaser is a party or by which the Purchaser or any of its assets or properties is bound or committed.

Section 4.3 Authorization. The Purchaser has all necessary trust power and authority to execute and deliver the Transaction Documents to which the Purchaser is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of each of the Transaction Documents to which the Purchaser is party and the

performance by the Purchaser of its obligations hereunder and thereunder have been duly authorized by the Purchaser. Each of the Transaction Documents to which the Purchaser is party has been duly executed and delivered by the Purchaser. Each of the Transaction Documents to which the Purchaser is party constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and general equitable principles.

Section 4.4 Governmental and Third Party Authorizations. The execution and delivery by the Purchaser of the Transaction Documents to which the Purchaser is party, the performance by the Purchaser of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not require any consent, approval, license, order, authorization or declaration from, notice to, action or registration by, or filing with, any Governmental Authority or any other Person, except for the filing of UCC financing statements, the notice to UCB contained in the UCB Instruction and the notice to Roche contained in the Roche Instruction.

Section 4.5 No Litigation. There is no (a) action, suit, arbitration proceeding, claim, demand, citation, summons, subpoena, investigation or other proceeding (whether civil, criminal, administrative, regulatory, investigative or informal) pending or, to the knowledge of the Purchaser, threatened by or against the Purchaser, at law or in equity, or (b) inquiry or investigation (whether civil, criminal, administrative, regulatory, investigative or informal) by or before a Governmental Authority pending or, to the knowledge of the Purchaser, threatened against the Purchaser, that, in any case challenges or seeks to prevent or delay the consummation of any of the transactions contemplated by any of the Transaction Documents.

Section 4.6 [***].

ARTICLE V
COVENANTS

The Parties covenant and agree as follows:

Section 5.1 Books and Records; Notices.

(a) The Seller shall keep and maintain, or cause to be kept and maintained, at all times, full and accurate books and records adequate to reflect accurately all financial information received and all amounts paid or received under the License Agreements.

(b) [***] after receipt by the Seller of (i) (x) notice of the commencement by any Third Party of, or (y) written notice from any Third Party threatening to commence, in either case any action, suit, arbitration proceeding, claim, demand, investigation or other proceeding relating to this Purchase and Sale Agreement, any of the other Transaction Documents, any Counterparty Agreement, any transaction contemplated hereby or thereby or the Purchased Assets (in any case other than any notice contemplated in Section 5.1(d)), or (ii) any other correspondence relating to the foregoing, the Seller shall (A) notify the Purchaser in writing of the receipt of such notice or correspondence and provide the Purchaser with a written summary of all material details thereof and (B) to the extent [***], if such notice is in writing, furnish the Purchaser with a copy thereof and any materials reasonably related thereto; provided, however, that, in any event the Seller may withhold, and shall have no obligation to notify the Purchaser of, or furnish to the Purchaser, any such notice to the extent relating solely to any Roche Manufacturing Information or UCB Manufacturing Information.

(c) [***] after receipt by the Seller of any written notice, certificate, offer, proposal, correspondence, report or other communication relating to any Counterparty Agreement, the Royalties, the Intellectual Property Rights, the Purchased Assets or the Licensed Products (in any case, other than any notice contemplated by Section 5.1(b) or 5.1(d)), the Seller shall (i) notify the Purchaser in writing of the receipt thereof and provide the Purchaser with a written summary of all material details thereof and (ii) to the extent [***], furnish the Purchaser with a copy thereof; provided, however, that, in any event the Seller may withhold, and shall have no obligation to notify the Purchaser of, or furnish to the Purchaser, any such notice, certificate, offer, proposal, correspondence, report or other communication to the extent relating solely to any Roche Manufacturing Information or UCB Manufacturing Information.

(d) The Seller shall provide the Purchaser with written notice [***] after obtaining Knowledge of any of the following:

(i) the occurrence of any Bankruptcy Event in respect of the Seller;

(ii) any breach or default by the Seller of or under any covenant, agreement or other provision of any Transaction Document;

(iii) the Seller, any Counterparty or any other Third Party receiving any notice of audit or regulatory action by the FDA (or foreign equivalent thereof) relating to the Licensed Products or the Purchased Assets;

(iv) any representation or warranty made by the Seller in this Purchase and Sale Agreement or any of the other Transaction Documents (or in any certificate delivered by the Seller to the Purchaser pursuant to this Purchase and Sale Agreement) shall prove to be untrue, inaccurate or incomplete in any material respect on the date as of which made; or

(v) the occurrence or existence of any change, effect, event, occurrence, state of facts, development or condition that has had, or would have, a Material Adverse Effect.

(e) The Seller shall notify the Purchaser in writing [***] any change in, or amendment or alteration of, the Seller's (i) legal name, (ii) form or type of organizational structure or (iii) jurisdiction of organization.

Section 5.2 Public Announcement. Neither Party shall, and each Party shall cause its Affiliates not to, without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed), issue any press release or make any other public disclosure with respect to this Purchase and Sale Agreement or any of the other Transaction Documents or any of the transactions contemplated hereby or thereby, except if and to the extent that any such release or disclosure is required by Applicable Law, by the rules and regulations of any securities exchange or market on which any security of such Party may be listed or traded or by any Governmental Authority of competent jurisdiction, in which case, the Party proposing to issue such press release or make such public disclosure shall, to the extent reasonably practicable, (a) provide to the other Party a copy of such proposed release or disclosure and (b) consider in good faith any comments or changes that the other Party may propose or suggest. Notwithstanding the foregoing, the Purchaser understands and agrees that the Seller intends to file with the SEC a Current Report on Form 8-K describing the material terms of the transactions contemplated by this Purchase and Sale Agreement and the other Transaction Documents and some or all of the Transaction Documents as exhibits thereto or to another filing with the SEC, provided, that the Seller shall (a) provide to the Purchaser a draft of such filings with the SEC and (b) consider in good faith any comments or changes that the Purchaser may propose or suggest. The Seller and the Purchaser shall jointly prepare a press release for dissemination promptly following the Closing, such press release to be substantially in the form attached hereto as Exhibit F.

Section 5.3 Further Assurances.

(a) Subject to the terms and conditions of this Purchase and Sale Agreement, each Party shall execute and deliver such other documents, certificates, instruments, agreements and other writings, take such other actions and perform such additional acts under Applicable Law as may be reasonably requested by the other Party and necessary to implement expeditiously the transactions contemplated by, and to carry out the purposes and intent of the provisions of, this Purchase and Sale Agreement and the other Transaction Documents, including to (i) perfect the sale, contribution, assignment, transfer, conveyance and granting of the Purchased Assets to the Purchaser pursuant to this Purchase and Sale Agreement, (ii) perfect, protect, more fully evidence, vest and maintain in the Purchaser good, valid and marketable rights and interests in and to the Purchased Assets free and clear of all Liens (other than Liens under the Transaction Documents and the UCB Consent), (iii) create, evidence and perfect the Purchaser's back-up security interest granted pursuant to Section 2.1(d) and (iv) enable the Purchaser to exercise or enforce any of the Purchaser's rights under any Transaction Document to which the Purchaser is party.

(b) The Seller and the Purchaser shall cooperate and provide assistance as reasonably requested by the other Party, at the expense of such other Party (except as otherwise set forth herein), in connection with any litigation, arbitration, investigation or other proceeding (whether threatened, existing, initiated or contemplated prior to, on or after the Closing Date) to which the other Party, any of its Affiliates or controlling persons or any of their respective officers, directors, managers, employees or controlling persons is or may become a party or is or may become otherwise directly or indirectly affected or as to which any such Persons have a direct or indirect interest, in each case relating to any Transaction Document, the transactions contemplated hereby or thereby or the Purchased Assets, but in all cases excluding any litigation brought by the Seller (for itself or on behalf of any Seller Indemnified Party) against the Purchaser or brought by the Purchaser (for itself or on behalf of any Purchaser Indemnified Party) against the Seller.

(c) The Seller shall use its commercially reasonable efforts to comply with all Applicable Laws with respect to the Transaction Documents, the Counterparty Agreements and the Purchased Assets, except where compliance therewith is being contested by the Seller in good faith by appropriate proceedings.

(d) The Seller shall not enter into any contract, agreement or other legally binding arrangement (whether written or oral), or grant any right to any other Person, in any case that would reasonably be expected to conflict with the Transaction Documents or serve or operate to limit, circumscribe or alter any of the Purchaser's rights under the Transaction Documents (or the Purchaser's ability to exercise any such rights).

(e) The Seller shall (i) perform and comply in all material respects with its obligations under [***] and (ii) shall not, without the prior written consent of the Purchaser, amend, modify, supplement, restate, waive, cancel or terminate (or consent to any cancellation or termination of), in whole or in part, any provision of or right under [***];[***]

(f) Promptly following the Closing, the Seller shall pay all commissions and broker's fees owed to Morgan Stanley & Co. LLC by the Seller in connection with the transactions contemplated by this Purchase and Sale Agreement.

Section 5.4 Payments on Account of the Purchased Assets.

(a) If, notwithstanding the terms of the Counterparty Instructions, either Counterparty, any Sublicensee or any other Person makes any future payment in respect of the Purchased Assets to the Seller or any of its Subsidiaries, then (i) the portion of such payment that represents Royalties shall be held by the Seller (or such Subsidiary) in trust for the benefit of the Purchaser in a segregated account, (ii) the Seller (or such Subsidiary) shall have no right, title or interest whatsoever in such portion of such payment and shall not create or suffer to exist any Lien thereon and (iii) the Seller (or such Subsidiary) [***] following the receipt by the Seller (or such Subsidiary) of such portion of such payment, shall remit such portion of such payment to the Purchaser Account pursuant to Section 5.4(b) in the exact form received with all necessary endorsements.

(b) The Seller shall make all payments required to be made by it to the Purchaser pursuant to this Purchase and Sale Agreement by wire transfer of immediately available funds, without Set-off or deduction or withholding for or on account of any Taxes (provided that the Purchaser has delivered to the Seller a properly executed IRS Form W-8BEN establishing entitlement to an exemption from withholding under a United States income Tax treaty, or other appropriate form in order to avoid Tax withholding), to the account set forth on Exhibit G (or to such other account as the Purchaser shall notify the Seller in writing from time to time) (the "Purchaser Account").

(c) If either Counterparty, any Sublicensee or any other Person makes any payment to the Purchaser of royalties payable under Clause 8.2 of the Roche License Agreement or Clause 7.2 of the UCB License Agreement or other amounts in respect of any period occurring prior to the Royalties Commencement Date, then (i) such payment shall be held by the Purchaser in trust for the benefit of the Seller in a segregated account, (ii) the Purchaser shall have no right, title or interest whatsoever in such payment and shall not create or suffer to exist any Lien thereon and (iii) the Purchaser [***] following the receipt by the Purchaser of such payment, shall remit such payment to the Seller Account pursuant to Section 5.4(d) in the exact form received with all necessary endorsements.

(d) The Purchaser shall make all payments required to be made by it to the Seller pursuant to this Purchase and Sale Agreement by wire transfer of immediately available funds, without Set-off or deduction or withholding for or on account of any Taxes (provided that the Seller has delivered to the Purchaser a properly executed IRS Form W-9 or other appropriate form in order to avoid Tax withholding) to the account set forth on Exhibit H (or to such other account as the Seller shall notify the Purchaser in writing from time to time) (the "Seller Account").

(e) If either Counterparty takes any Set-off against Royalties (other than for any prior overpayment of Royalties actually made to the Purchaser) for any liability, debt or other obligation that the Seller owes or allegedly owes to such Counterparty, then the Seller shall cause the amount of such Set-off to be paid [***] following such Set-off to the Purchaser Account. If such Counterparty subsequently makes a payment to the Purchaser in respect of a Set-off previously taken against Royalties and in respect of which the Seller previously paid to the Purchaser the amount of such Set-off, then the Purchaser shall [***] after the Purchaser receives such payment by such Counterparty, pay to the Seller the amount of such payment.

Section 5.5 Counterparty Agreements.

(a) The Seller (i) shall perform and comply with in all material respects its obligations under the Counterparty Agreements, (ii) shall not, without the prior written consent of the Purchaser, which consent shall be subject to the Consent Standard, (A) forgive, release or compromise any Royalties

payable by the applicable Counterparty under either License Agreement, or (B) amend, modify, supplement, restate, waive, cancel or terminate (or consent to any cancellation or termination of), in whole or in part, any provision of or right under any Counterparty Agreement, (iii) shall not enter into any new contract, agreement or legally binding arrangement in respect of the Purchased Assets, the Intellectual Property Rights or the Licensed Products, and (iv) shall not agree to do any of the foregoing. The Seller shall [***] deliver to the Purchaser copies of all fully-executed or definitive writings related to the matters set forth in clauses (ii), (iii) and (iv) of the immediately preceding sentence except to the extent such writing is related solely to Roche Manufacturing Information or UCB Manufacturing Information.

(b) Except as otherwise expressly set forth in this ARTICLE V, the Seller shall not, without the prior written consent of the Purchaser, which consent shall be subject to the Consent Standard, grant or withhold any consent, exercise or waive any right or option, fail to exercise any right or option or deliver to either Counterparty any notice under, in respect of, affecting or relating to the Purchased Assets, the Intellectual Property Rights, the Licensed Products or any Counterparty Agreement. The Seller shall [***] deliver to the Purchaser copies of all fully-executed or definitive writings related to the matters set forth in the immediately preceding sentence except to the extent such writing is related solely to Roche Manufacturing Information or UCB Manufacturing Information.

(c) [***] after receiving (i) (x) notice from either Counterparty, including any notice terminating any Counterparty Agreement (in whole or in part), alleging any breach of or default under any Counterparty Agreement by the Seller or asserting the existence of any facts, circumstances or events that, alone or together with other facts, circumstances or events, would reasonably be expected (with or without the giving of notice or passage of time, or both) to give rise to a breach of or default under any Counterparty Agreement by the Seller or the right to terminate any Counterparty Agreement (in whole or in part) by such Counterparty, or (y) any other correspondence relating to the foregoing, or (ii) the Seller otherwise has Knowledge of any fact, circumstance or event that, alone or together with other facts, circumstances or events, would reasonably be expected (with or without the giving of notice or passage of time, or both) to give rise to a breach of or default under any Counterparty Agreement by the Seller or the right to terminate any Counterparty Agreement (in whole or in part) by either Counterparty, in each case the Seller shall (A) (x) give written notice thereof to the Purchaser and provide the Purchaser with a written summary of all material details thereof, (y) to the extent [***], include a copy of any written notice received from such Counterparty, and (z) in the case of any breach or default or alleged breach or default by the Seller, describe in reasonable detail any corrective action the Seller proposes to take in respect of such breach or default, and (B) in the case of any breach or default or alleged breach or default by the Seller, use commercially reasonable efforts to cure such breach or default and give written notice to the Purchaser upon curing such breach or default; provided, however, that, if the Seller fails to promptly cure any such breach or default (other than any breach or default that involves solely a Manufacturing Matter), without limiting any other rights it may have, the Purchaser shall, upon written notice to the Seller and to the extent permitted by the Counterparty Agreements, be entitled to take any and all actions the Purchaser considers reasonably necessary to promptly cure such breach or default, and the Seller shall cooperate with the Purchaser for such purpose and reimburse the Purchaser, promptly (but in no event later than three (3) Business Days) following demand, for all out-of-pocket costs and expenses incurred by the Purchaser in connection therewith.

(d) Promptly after the Seller obtains Knowledge of a breach of or default under, or an alleged breach of or default under, either License Agreement by the applicable Counterparty (each, a "Defaulting Party") or of the existence of any facts, circumstances or events that, alone or together with other facts, circumstances or events, would reasonably be expected (with or without the giving of notice or passage of time, or both) to give rise to a breach of or default under either License Agreement by the Defaulting

Party or the right to terminate either License Agreement (in whole or in part) by the Seller, in each case the Seller shall (i) [***] give written notice to the Purchaser and provide the Purchaser with a written summary of all material details thereof and (ii) except for any such breach or default involving solely a Manufacturing Matter, act in accordance with the Purchaser's instructions to take such permissible actions (including commencing legal action against the Defaulting Party and the selection of legal counsel reasonably satisfactory to the Purchaser) to enforce compliance by the Defaulting Party with the relevant provisions of the applicable License Agreement and to exercise any or all of the Seller's rights and remedies, whether under such License Agreement or by operation of law, with respect thereto. The Purchaser shall reimburse the Seller, promptly on demand, for all out-of-pocket costs and expenses (including the reasonable fees and expenses of the Seller's counsel) incurred by the Seller in connection with the Seller's actions and exercise of rights and remedies pursuant to clause (ii) of the immediately preceding sentence; provided, however, that such out-of-pocket costs and expenses (including the reasonable fees and expenses of the Seller's counsel) shall be borne by the Seller if (x) such breach, default or termination event or alleged breach, default or termination event results from a breach of or default under any Counterparty Agreement by the Seller or (y) the Seller acts without or contrary to the Purchaser's direction (if the Seller is required to act as directed by the Purchaser pursuant to this Section 5.5(d)). The Purchaser shall, except to the extent [***], have the right, at its sole cost and expense, to participate in any meeting, discussion, action, suit or other proceeding relating to any such breach, default or termination event or alleged breach, default or termination event, including any counterclaim, settlement discussions or meetings; provided, however, that the Purchaser shall have no such right to participate if the exercise thereof would adversely affect the maintenance by the Seller of any applicable attorney-client privilege (and, in such event, the Parties agree to use commercially reasonable efforts to effect such other arrangements to preserve such privilege, including negotiating to enter into a mutually-acceptable joint defense agreement). Notwithstanding anything to the contrary contained in this ARTICLE V, nothing herein shall prevent, restrict or limit the Purchaser from directly enforcing, at the Purchaser's sole cost and expense, a Defaulting Party's payment obligations in respect of the Purchased Assets with counsel selected by the Purchaser in its sole discretion; provided, however, that the Seller shall, except to the extent [***], make available its relevant records and personnel to the Purchaser in connection with any such enforcement and provide reasonable assistance and authority to file and bring any legal action in connection therewith, including, if required, being joined as a party plaintiff, and the Purchaser shall reimburse the Seller, promptly on demand, for all out-of-pocket costs and expenses incurred by the Seller in connection therewith, (x) unless the Defaulting Party's breach, default or termination event or alleged breach, default or termination event results from a breach of or default under any Counterparty Agreement by the Seller or (y) the Seller acts without or contrary to the Purchaser's direction in respect of any such breach or default or alleged breach or default (if the Seller is required to act as directed by the Purchaser pursuant to this Section 5.5(d)).

(e) To the extent required or permitted by the applicable Counterparty Agreements and to the extent "commercially reasonable" (as defined below) to do so, the Seller shall (i) take any and all actions, and prepare, execute, deliver and file any and all agreements, documents and instruments, that are reasonably necessary or desirable to diligently preserve and maintain the applicable Patents, including payment of maintenance fees or annuities, at the sole cost and expense of the Seller, (ii) diligently defend (and enforce) the applicable Intellectual Property Rights against infringement or interference by any other Person, and against any claims of invalidity or unenforceability, in any jurisdiction (including by bringing any legal action for infringement or defending any counterclaim of invalidity or action of any other Person for declaratory judgment of non-infringement or non-interference) and (iii) when available in respect of any applicable Licensed Product, obtain patents and any corrections, substitutions, reissues and reexaminations thereof and obtain patent term extensions and any other forms of patent term restoration in any country. The Seller shall, except to the extent [***], [***] after receipt thereof, provide to the Purchaser a copy of all substantive written notices or other documentation relating to the patentability,

enforceability, validity, scope or term of the Patents, and shall provide the Purchaser with a copy of drafts of any written material proposed to be filed in response thereto. In connection with the Seller's actions or decisions not to act in respect of matters contemplated by clauses (i), (ii) or (iii) of the first sentence of this Section 5.5(e), the Seller shall consult with, and, in good faith, give due consideration to any reasonable suggestions of, the Purchaser. The Purchaser shall reimburse the Seller, promptly on demand, for [***] of all reasonable out-of-pocket costs and expenses (including the reasonable fees and expenses of the Seller's counsel) incurred by the Seller in connection with the Seller's actions pursuant to clauses (ii) and (iii) of the first sentence of this Section 5.5(e). Notwithstanding the provisions of the preceding sentence, the Purchaser shall not have any obligation to reimburse the Seller for any portion of such costs or expenses to the extent that it would not have been commercially reasonable for the Purchaser to have incurred such expense if it had controlled the decision whether to act in respect of matters contemplated by clauses (i), (ii) or (iii) of the first sentence of this Section 5.5(e). The Seller shall not disclaim or abandon, or fail to take any commercially reasonable action necessary or desirable to prevent the disclaimer or abandonment of, any Intellectual Property Rights. The Purchaser shall, except to the extent [***], have the right, at its sole cost and expense, to participate in any meeting, discussion, action, suit or other proceeding relating to the infringement, legality, validity or enforceability of the Intellectual Property Rights, including any counterclaim, settlement discussions or meetings; provided, however, that the Purchaser shall have no such right to participate if the exercise thereof would adversely affect the maintenance by the Seller of any applicable attorney-client privilege (and, in such event, the Parties agree to use commercially reasonable efforts to effect such other arrangements as will permit the Purchaser to participate in any such meeting, discussion, action, suit or other proceeding while preserving such privilege, including negotiating to enter into a mutually-acceptable joint defense agreement). The Seller shall [***] provide to the Purchaser a copy of any written notice or other documentation received in connection with any such legal action, suit or other proceeding. For purposes of this Section 5.5(e), the determination of what actions are "commercially reasonable" with respect to any Intellectual Property Rights in any country shall be made in the context of actions that would be commercially reasonable for an owner and licensor of such Intellectual Property Rights in such country, which owner and licensor is entitled to the full economic benefit of such Intellectual Property Rights without regard to the transactions contemplated by this Purchase and Sale Agreement or any other business of, or assets owned by, such owner and licensor.

(f) Except in connection with any assignment by the Seller of its rights and a delegation by the Seller of its obligations under this Purchase and Sale Agreement pursuant to and in accordance with Section 9.4, the Seller shall not dispose of, assign or otherwise transfer, in whole or in part, either License Agreement, the Purchased Assets related thereto or any of the Seller's right, title or interest in or to the applicable Intellectual Property Rights. The Seller shall not grant any Lien on the Intellectual Property Rights or the License Agreements.

Section 5.6 Termination of the Counterparty Agreements; Mergers, Consolidations and Asset Sales Involving Either Counterparty.

(a) Without limiting the provisions of Section 5.5 or any other rights or remedies the Purchaser may have under this Purchase and Sale Agreement, if Roche terminates or provides written notice of termination of the Roche License Agreement or the Roche License Agreement otherwise terminates (whether in whole or in part in respect of any Roche Licensed Product in any country), in any case during the Roche Royalty Term, then the Purchaser shall have [***] to negotiate a license with a Third Party under the Roche Intellectual Property Rights for such Third Party to make, have made, use, import, offer for sale and sell Roche Reagent for any purpose that Roche would have been permitted to make, have made, use, import, offer for sale and sell such Reagent under the Roche License Agreement, and the Seller shall provide assistance to and cooperate with the Purchaser, at the Purchaser's sole

discretion, cost and expense (including the Purchaser's payment, upon demand, of the Seller's reasonable attorneys' fees, if any, in connection therewith), in such efforts as the Purchaser shall undertake in connection with the negotiation of a license under the Roche Intellectual Property Rights to make, have made, use, import, offer for sale and sell Roche Reagent for the sole purpose of using, making, having made, selling and importing any product that would have constituted a Roche Licensed Product under the Roche License Agreement (and, if such termination is only in part in respect of a Roche Licensed Product in a particular country (and not in whole), such license (x) shall apply only to such country and (y) shall not apply to any product that would have constituted a Roche Licensed Product under the Roche License Agreement other than the Roche Licensed Product that was the subject of such termination), which license shall (i) become effective not earlier than the effective date of such termination, (ii) expire not later than the last day of the Roche Royalty Term (and, if such termination is only in part in respect of a Roche Licensed Product in a particular country (and not in whole), the Roche Royalty Term shall be such term that is applicable under the Roche License Agreement for such Roche Licensed Product in such country) and (iii) include terms, conditions and limitations that are not materially less favorable to the Seller, taking into account the sale of the Purchased Assets pursuant to the Transaction Documents, than those contained in the Roche License Agreement, including with respect to obligations and costs imposed on the Seller, disclaimers of the Seller's liability, intellectual property ownership and control and indemnification of the Seller (any such license, a "Roche New Arrangement").

(b) Without limiting the provisions of Section 5.5 or any other rights or remedies the Purchaser may have under this Purchase and Sale Agreement, if UCB terminates or provides written notice of termination of the UCB License Agreement or the UCB License Agreement otherwise terminates, other than in violation of this Purchase and Sale Agreement, then the Purchaser shall have [***] to negotiate a license with a Third Party under the UCB Intellectual Property Rights for such Third Party to make, have made, use, import, offer for sale and sell the UCB Reagent for any purpose that UCB would have been permitted to make, have made, use, import, offer for sale and sell such Reagent under the UCB License Agreement, and the Seller shall provide assistance to and cooperate with the Purchaser, at the Purchaser's sole discretion, cost and expense (including the Purchaser's payment, upon demand, of the Seller's reasonable attorneys' fees, if any, in connection therewith), in such efforts as the Purchaser shall undertake in connection with the negotiation of a license under the UCB Intellectual Property Rights to make, have made, use, import, offer for sale and sell the UCB Reagent for the sole purpose of using, making, having made, selling and importing any product that would have constituted a UCB Licensed Product under the UCB License Agreement, which license shall (i) become effective not earlier than the effective date of such termination, (ii) expire not later than the last day of the UCB Royalty Term (for purposes of this clause (ii), the UCB Royalty Term shall be determined assuming that the UCB License Agreement had not been terminated) and (iii) include terms, conditions and limitations that are not materially less favorable to the Seller, taking into account the sale of the Purchased Assets pursuant to the Transaction Documents, than those contained in the UCB License Agreement, including with respect to obligations and costs imposed on the Seller, disclaimers of the Seller's liability, intellectual property ownership and control and indemnification of the Seller (any such license, a "UCB New Arrangement").

(c) Should the Purchaser identify any New Arrangement pursuant to Section 5.6(a) or 5.6(b), the Seller agrees to duly execute and deliver a new license agreement effecting such New Arrangement that satisfies the foregoing requirements promptly upon the written request of the Purchaser.

Section 5.7 Audits.

(a) The Seller shall not, without the prior written consent of the Purchaser, and the Seller shall, upon the written request of the Purchaser, cause an inspection or audit of either Counterparty's books and records to be conducted pursuant to and in accordance with Clause 8.2 of the UCB License

Agreement or Clause 9.2 of the Roche License Agreement, as the case may be; provided, however, that (x) the Seller shall retain the exclusive right to inspect and audit each Counterparty's books and records at any time and from time to time at its sole discretion for payments relating to periods prior to the Royalties Commencement Date and (y) if the Seller makes any payment to the Purchaser in respect of any period under Section 2.3, the Seller shall also have the right to inspect and audit the books and records of Roche at any time and from time to time in respect of such period at the Seller's sole discretion. For the purposes of exercising the Purchaser's rights pursuant to this Section 5.7(a) in respect of the UCB License Agreement, the Seller shall appoint such public accounting firm of nationally recognized standing as the Purchaser shall select for such purpose (it being understood and agreed that any such public accounting firm shall, pursuant to Clause 8.2.1 of the UCB License Agreement, be reasonably acceptable to UCB). The Seller and the Purchaser agree that all of the expenses of any inspection or audit carried out at the request of the Purchaser pursuant to this Section 5.7(a) that would otherwise be borne by the Seller pursuant to the applicable License Agreement shall instead be borne by the Purchaser and reimbursed to the Seller promptly on demand, including such reasonable fees and expenses of such public accounting firm as are to be borne by the Seller pursuant to Clause 8.2 of the UCB License Agreement or Clause 9.2 of the Roche License Agreement, as the case may be, together with the Seller's out-of-pocket costs and expenses incurred in connection with such inspection or audit; provided, however, that, for the avoidance of doubt, any inspection or audit carried out pursuant to the proviso of the first sentence of this Section 5.7(a) shall not be deemed to be carried out at the request of the Purchaser and the Purchaser shall have no obligation to reimburse the Seller, pursuant to this sentence, for any fees, costs or expenses incurred by the Seller in connection therewith. The Seller shall, to the extent [***], furnish to the Purchaser any inspection or audit report prepared in connection with such inspection or audit. To the extent that the disclosure of such inspection or audit report is [***], the Seller shall deliver to the Purchaser a written summary of all material details thereof and a certificate signed by an authorized signatory of the Seller and, to the extent practicable, the public accounting firm conducting such inspection or audit, certifying whether or not the results of such inspection or audit uncovered any discrepancy between the amounts actually paid to the Purchaser in respect of the Purchased Assets and the amounts that should have been paid to the Purchaser in respect of the Purchased Assets.

(b) In the event that any inspection or audit conducted pursuant to Section 5.7(a) uncovers that the amounts actually paid to the Purchaser for any period in respect of the Purchased Assets was greater than the amounts that should have been paid to the Purchaser for such period in respect of the Purchased Assets, the Purchaser shall cause the amount of such overpayment to be paid to the applicable Counterparty [***] after delivery to the Purchaser, pursuant to Section 5.7(a), of the applicable inspection or audit report or certificate, as the case may be, showing such overpayment.

Section 5.8 Tax Matters.

(a) Notwithstanding anything to the contrary in the Transaction Documents, the Seller and the Purchaser shall treat the transactions contemplated by this Purchase and Sale Agreement as a sale of the Purchased Assets for U.S. federal, state and local Tax purposes.

(b) All payments to the Purchaser under this Purchase and Sale Agreement shall be made without any deduction or withholding for or on account of any Tax unless required by Applicable Law; provided that, if deduction or withholding for or on account of any Tax is required by Applicable Law to be made, and is made, from any payment under either License Agreement solely by reason of the fact that the Seller is a party to such License Agreement (a "Specified Tax Withholding"), then the Seller shall, [***] after the Purchaser receives notice thereof, make a payment to Purchaser so that, after making all such required deductions and withholdings (including any deductions and withholdings required with respect to any such additional payment), the Purchaser receives an amount equal to the amount that it

would have received had no such Specified Tax Withholding been made. For the avoidance of doubt, and without limiting in any way the first sentence of this Section 5.8(b), the Seller shall not be required to make any payment to the Purchaser under this Section 5.8(b) for any Tax [***].

(c) The Seller shall notify the Purchaser in writing [***] following the receipt of any notification by either Counterparty or by an Affiliate of such Counterparty that such Counterparty intends to make any Permitted Tax Withholding. The Seller shall, upon the request of the Purchaser, reasonably cooperate with the Purchaser and use its commercially reasonable efforts to make such filings and take such other actions as may be reasonably necessary and specified by the Purchaser in order to allow an exemption from or reduction of any Permitted Tax Withholding.

(d) The Parties agree not to take any position that is inconsistent with the provisions of this Section 5.8 on any Tax return or in any audit or other Tax-related administrative or judicial proceeding unless the other Party has consented in writing to such actions. If there is an inquiry by any Governmental Authority of the Seller or the Purchaser related to the treatment described in this Section 5.8, the Parties shall cooperate with each other in responding to such inquiry in a commercially reasonable manner that is consistent with this Section 5.8.

Section 5.9 [***].

Section 5.10 Existence. The Seller shall (a) preserve and maintain its existence (provided, however, that nothing in this Section 5.10(a) shall prohibit the Seller from entering into any merger or consolidation with, or selling or otherwise transferring all or substantially all of its assets to, any other Person if the Seller is the continuing or surviving entity or if the surviving or continuing or acquiring entity assumes (either expressly or by operation of law) all of the obligations of the Seller under the Transaction Documents), (b) preserve and maintain its rights, franchises and privileges unless failure to do any of the foregoing would not have a Material Adverse Effect, (c) qualify and remain qualified in good standing in each jurisdiction where the failure to preserve and maintain such qualifications would have a Material Adverse Effect, including appointing and employing such agents or attorneys in each jurisdiction where it shall be necessary to take action under this Purchase and Sale Agreement, and (d) comply with its organizational documents, except, in the case of this clause (d), for any non-compliance that would not have a Material Adverse Effect.

ARTICLE VI
THE CLOSING

Section 6.1 Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at 9:00 a.m., Eastern Standard Time, on February 28, 2012 (the "Closing Date") at the offices of Cadwalader, Wickersham & Taft LLP located at One World Financial Center, New York, New York 10281, or on such other date, at such other time or at such other place, in each case as the Parties mutually agree.

Section 6.2 Closing Deliverables of the Seller. At the Closing, the Seller shall deliver or cause to be delivered to the Purchaser the following:

(a) the Roche Bill of Sale and UCB Bill of Sale duly executed by the Seller;

(b) each of the Counterparty Instructions duly executed by the Seller;

(c) an opinion of Cadwalader, Wickersham & Taft LLP, substantially in the form attached hereto as Exhibit K;

(d) a certificate of an executive officer of the Seller (the statements made in which shall be true and correct on and as of the Closing Date): (i) attaching copies, certified by such officer as true and complete, of (x) the organizational documents of the Seller and (y) resolutions of the governing body of the Seller authorizing and approving the execution, delivery and performance by the Seller of the Transaction Documents and the transactions contemplated hereby and thereby, (ii) setting forth the incumbency of the officer or officers of the Seller who have executed and delivered the Transaction Documents, including therein a signature specimen of each such officer or officers and (iii) attaching a copy, certified by such officer as true and complete, of a good standing certificate of the appropriate Governmental Authority of the Seller's jurisdiction of organization, stating that the Seller is in good standing under the laws of such jurisdiction; and

(e) the Roche Financing Statement and the UCB Financing Statement, to create, evidence and perfect the sale, assignment, transfer, conveyance and grant of the Purchased Assets pursuant to Section 2.1 and the back-up security interest granted pursuant to Section 2.1(d).

Section 6.3 Closing Deliverables of the Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered to the Seller the following:

(a) the Roche Bill of Sale and UCB Bill of Sale duly executed by the Purchaser; and

(b) the Purchase Price in accordance with Section 2.2.

ARTICLE VII
INDEMNIFICATION

Section 7.1 Indemnification by the Seller. The Seller agrees to indemnify and hold harmless the Purchaser and its Affiliates and any or all of their respective partners, directors, trustees, officers, managers, employees, members, agents and controlling persons (each, a "Purchaser Indemnified Party") harmless from and against, and will pay to each Purchaser Indemnified Party the amount of, any and all Losses awarded against or incurred or suffered by such Purchaser Indemnified Party, whether or not involving a Third Party Claim, arising out of (a) any breach of any representation or warranty made by the Seller in any of the Transaction Documents or in any certificate delivered by the Seller to the Purchaser in writing pursuant to this Purchase and Sale Agreement (determined without giving effect to any disclosure set forth on Schedule 3.11), (b) any breach of or default under any covenant or agreement of the Seller in any of the Transaction Documents or Counterparty Agreements, (c) any Excluded Liabilities and Obligations or (d) any brokerage or finder's fees or commissions or similar amounts incurred or owed by the Seller to any brokers, financial advisors or comparable other Persons retained or employed by it in connection with the transactions contemplated by this Purchase and Sale Agreement; provided, however, that the foregoing shall exclude any indemnification to any Purchaser Indemnified Party (i) that has the effect of imposing on the Seller any recourse liability for Royalties because of the insolvency or other creditworthiness problems of either Counterparty or the insufficiency of the Royalties, whether as a result of the amount of cash flow arising from sales or licensing of the Licensed Products or otherwise, in any case unless resulting from the breach or default by the Seller of or under any of the Transaction Documents or Counterparty Agreements, (ii) for any matter in respect of which any Seller Indemnified Party would be entitled to indemnification under Section 7.2, (iii) to the extent resulting from the bad faith, gross negligence or willful misconduct of any Purchaser Indemnified Party, (iv) to the

extent resulting from the failure of either Counterparty to perform any of its obligations under any of the Counterparty Agreements, unless resulting from the breach or default by the Seller of or under any of the Counterparty Agreements or the Transaction Documents or (v) to the extent resulting from acts or omissions of the Seller based upon the written instructions from any Purchaser Indemnified Party. Any amounts due to any Purchaser Indemnified Party hereunder shall be payable by the Seller to such Purchaser Indemnified Party upon demand.

Section 7.2 Indemnification by the Purchaser. The Purchaser agrees to indemnify and hold each of the Seller and its Affiliates and any or all of their respective partners, directors, officers, managers, members, employees, agents and controlling Persons (each, a "Seller Indemnified Party") harmless from and against, and will pay to each Seller Indemnified Party the amount of, any and all Losses awarded against or incurred or suffered by such Seller Indemnified Party, whether or not involving a Third Party Claim, arising out of (a) any breach of any representation or warranty made by the Purchaser in any of the Transaction Documents or any certificate delivered by the Purchaser to the Seller in writing pursuant to this Purchase and Sale Agreement, (b) any breach of or default under any covenant or agreement of the Purchaser in any Transaction Document to which the Purchaser is party or in the Confidentiality Agreement or (c) any brokerage or finder's fees or commissions or similar amounts incurred or owed by the Purchaser to any brokers, financial advisors or comparable other Persons retained or employed by it in connection with the transactions contemplated by this Purchase and Sale Agreement; provided, however, that the foregoing shall exclude any indemnification to any Seller Indemnified Party (i) to the extent resulting from the bad faith, gross negligence or willful misconduct of any Seller Indemnified Party, (ii) for any matter in respect of which any Purchaser Indemnified Party would be entitled to indemnification under Section 7.1 or (iii) to the extent resulting from acts or omissions of the Purchaser based upon the written instructions from any Seller Indemnified Party. Any amounts due to any Seller Indemnified Party hereunder shall be payable by the Purchaser to such Seller Indemnified Party upon demand.

Section 7.3 Procedures for Third Party Claims. If any Third Party Claim shall be brought or alleged against an indemnified party in respect of which indemnity is to be sought against an indemnifying party pursuant to Section 7.1 or Section 7.2, the indemnified party shall, promptly after receipt of notice of the commencement of such Third Party Claim, notify the indemnifying party in writing of the commencement thereof, enclosing a copy of all papers served, if any; provided, that the omission to so notify such indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under Section 7.1 or Section 7.2 unless, and only to the extent that, the indemnifying party is actually prejudiced by such omission. In the event that any Third Party Claim is brought against an indemnified party and it notifies the indemnifying party of the commencement thereof in accordance with this Section 7.3, the indemnifying party will be entitled, at the indemnifying party's sole cost and expense, to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Article VII for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. In any such Third Party Claim, an indemnified party shall have the right to retain its own counsel, but the reasonable fees and expenses of such counsel shall be at the sole cost and expense of such indemnified party unless (a) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (b) the indemnifying party has assumed the defense of such proceeding and has failed within a reasonable time to retain counsel reasonably satisfactory to such indemnified party or (c) the named parties to any such Third Party Claim (including any impleaded parties) include both the indemnifying party and the indemnified party and representation

of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interests between them based on the advice of counsel to the indemnified party. It is agreed that the indemnifying party shall not, in connection with any Third Party Claim or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate law firm (in addition to local counsel where necessary) for all such indemnified parties. The indemnifying party shall not be liable for any settlement of any Third Party Claim effected without its written consent, but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any Loss by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or discharge of any pending or threatened Third Party Claim in respect of which any indemnified party is or could have been a party and indemnity could be sought hereunder by such indemnified party, unless such settlement, compromise or discharge, as the case may be, (i) includes an unconditional, full written release of such indemnified party, in form and substance reasonably satisfactory to the indemnified party, from all liability on claims that are the subject matter of such claim or proceeding, (ii) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of any indemnified party and (iii) does not impose any continuing obligations or restrictions other than customary and reasonable confidentiality obligations relating to such claim, settlement or compromise.

Section 7.4 Other Claims . A claim by an indemnified party under this ARTICLE VII for any matter not involving a Third Party Claim and in respect of which such indemnified party would be entitled to indemnification hereunder may be made by delivering, in good faith, a written notice of demand to the indemnifying party, which notice shall contain (a) a description and the amount of any Losses incurred or suffered or reasonably expected to be incurred or suffered by the indemnified party, (b) a statement that the indemnified party is entitled to indemnification under this ARTICLE VII for such Losses and a reasonable explanation of the basis therefor, and (c) a demand for payment in the amount of such Losses. For all purposes of this Section 7.4, the Seller shall be entitled to deliver such notice of demand to the Purchaser on behalf of the Seller Indemnified Parties, and the Purchaser shall be entitled to deliver such notice of demand to the Seller on behalf of the Purchaser Indemnified Parties.

Section 7.5 Time Limitations.

(a) The Seller shall have liability under Section 7.1 with respect to any breach of any representation or warranty made by the Seller in any of the Transaction Documents or certificates delivered by the Seller to the Purchaser in writing pursuant to this Purchase and Sale Agreement only if the Purchaser notifies the Seller of a claim, specifying the factual basis of such claim in reasonable detail: [***]

(b) The Purchaser shall have liability under Section 7.2 with respect to any breach of any representation or warranty made by the Purchaser in any of the Transaction Documents or any certificate delivered by the Purchaser to the Seller in writing pursuant to this Purchase and Sale Agreement [***], only if, [***], the Seller notifies the Purchaser of a claim, specifying the factual basis of such claim in reasonable detail.

Section 7.6 Exclusive Remedy. Except in the case of actual fraud or intentional breach and except as set forth in Section 9.2, the indemnification afforded by this Article VII shall be the sole and exclusive remedy for any and all Losses awarded against or incurred or suffered by a Party in connection with the transactions contemplated by the Transaction Documents, including with respect to any breach of any representation or warranty made by a Party in any of the Transaction Documents or any certificate delivered by a Party to the other Party in writing pursuant to this Purchase and Sale Agreement or any breach of or default under any covenant or agreement by a Party pursuant to any Transaction Document.

Section 7.7 Limitations. Notwithstanding anything herein to the contrary, but subject to the remainder of this Section 7.7, in no event shall any Seller Indemnified Party or Purchaser Indemnified Party have any liability for, or Losses be deemed to include, any special, punitive or exemplary damages, or any lost profits, whether in contract or tort, regardless of whether the other Party shall be advised, shall have reason to know, or in fact shall know of the possibility of such damages suffered or incurred by any such Seller Indemnified Party or Purchaser Indemnified Party in connection with this Purchase and Sale Agreement any of the other Transaction Documents or any of the transactions contemplated hereby or thereby, except to the extent any such damages are actually paid to a Third Party in accordance with Section 7.3. Notwithstanding the foregoing, the limitations set forth in this Section 7.7 shall not apply to any claim for indemnification hereunder in the case of actual fraud or intentional breach. In addition, the Parties acknowledge and agree that (a) the Purchaser's Losses, if any, for any indemnifiable events under this Purchase and Sale Agreement will typically include Losses for Royalties that the Purchaser was entitled to receive in respect of its ownership of the Purchased Assets but did not receive timely or at all due to such indemnifiable event and (b) the Purchaser shall be entitled to make indemnification claims for all such missing or delayed Royalties that the Purchaser was entitled to receive in respect of its ownership of the Purchased Assets as Losses hereunder (which claims shall be reviewed and assessed by the Parties in accordance with the procedures set forth in this ARTICLE VII), and such missing or delayed Royalties shall not be deemed special, punitive or exemplary damages, or lost profits for any purpose of this Purchase and Sale Agreement.

ARTICLE VIII
TERMINATION

Section 8.1 Termination of Agreement. This Purchase and Sale Agreement shall terminate on the earlier of (a) [***] after the later of (i) the last day of the Roche Royalty Term and (ii) the last day of the UCB Royalty Term, (b) [***] after the date on which both the Roche License Agreement and the UCB License Agreement shall have terminated (in whole) and the Purchaser shall cease to have any rights to negotiate or pursue New Arrangement(s) in respect thereof pursuant to Section 5.6 and, if a New Arrangement is entered into, then [***] after the date on which such New Arrangement shall have terminated (in whole), and (c) mutual written agreement of the Purchaser and the Seller.

Section 8.2 Effect of Termination. Upon the termination of this Purchase and Sale Agreement pursuant to Section 8.1, this Purchase and Sale Agreement shall become void and of no further force and effect; provided, however, that (a) the provisions of Section 5.2, ARTICLE VII, this ARTICLE VIII and ARTICLE IX shall survive such termination and shall remain in full force and effect, (b) if, upon the termination of this Purchase and Sale Agreement, any Royalties or other amounts are payable to the Purchaser, this Purchase and Sale Agreement shall remain in full force and effect until any and all such payments have been made in full, and (except as provided in this Section 8.2) solely for that purpose, and (c) nothing contained in this Section 8.2 shall relieve either Party from liability for any breach of this Purchase and Sale Agreement that occurs prior to termination.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Survival. All representations, warranties and covenants made in this Purchase and Sale Agreement, in any other Transaction Document or in any certificate delivered pursuant to this Purchase and Sale Agreement shall survive the execution and delivery of this Purchase and Sale Agreement and the Closing. The rights hereunder to indemnification, payment of Losses or other remedies based on any such representation, warranty or covenant shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any

time (whether before or after the execution and delivery of this Purchase and Sale Agreement or the Closing) in respect of the accuracy or inaccuracy of or compliance with, any such representation, warranty or covenant.

Section 9.2 Specific Performance. Each Party acknowledges and agrees that, if it fails to perform any of its obligations under any of the Transaction Documents, the other Party will have no adequate remedy at law. In such event, each Party agrees that the other Party shall have the right, in addition to any other rights it may have (whether at law or in equity), to specific performance of this Purchase and Sale Agreement.

Section 9.3 Notices. All notices, consents, waivers and other communications hereunder shall be in writing and shall be effective (a) upon receipt when sent by registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (b) upon receipt when sent by an overnight courier (costs prepaid and receipt requested), (c) on the date personally delivered to an authorized officer of the Party to which sent or (d) on the date transmitted by facsimile with a confirmation of receipt, addressed to the recipient as follows:

if to the Seller, to:

Nektar Therapeutics
455 Mission Bay Boulevard South
San Francisco, California 94158
Attention: General Counsel
Telephone: 415-482-5600
Facsimile: 415-339-5322

with a copy to (which shall not constitute notice):

Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, New York 10281
Attention: Christopher Cox
Telephone: 212-504-6888
Facsimile: 212-504-6666

with another copy to (which shall not constitute notice):

O’Melveny & Myers LLP
2765 Sand Hill Road
Menlo Park, California 94025
Attention: Sam Zucker
Telephone: 650-473-2638
Facsimile: 650-473-2601

if to the Purchaser, to:

RPI Finance Trust
c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Facsimile: (302) 636-4140

with a copy to (which shall not constitute notice):

RP Management, LLC
110 E. 59th Street, Suite 3300
New York, New York 10022
Attention: Pablo Legorreta
Facsimile: (212) 883-2260

with another copy to (which shall not constitute notice):

Goodwin | Procter LLP
Exchange Place
53 State Street
Boston, Massachusetts 02109

Attention: Kingsley Taft	Arthur McGivern
Telephone:(617) 570-1222	(617) 570-1971
Facsimile:(617) 523-1231	(617) 523-1231

Each Party may, by notice given in accordance herewith to the other Party, designate any further or different address to which subsequent notices, consents, waivers and other communications shall be sent.

Section 9.4 Successors and Assigns. The Seller shall not be entitled to assign any of its rights or delegate any of its obligations under this Purchase and Sale Agreement without the prior written consent of the Purchaser, except that the Seller may, without the consent of the Purchaser, assign its rights and delegate its obligations under this Purchase and Sale Agreement to any other Person into which it may merge, with which it may consolidate or to which it may sell all or substantially all of its assets or all of the business to which either License Agreement relates if such License Agreement, the UCB Intellectual Property Rights or the Roche Intellectual Property Rights, related to such License Agreement and the rights and obligations of the Seller hereunder related thereto are transferred together to such other Person; and provided, however, that the assignee under such assignment agrees to be bound by the terms of the Transaction Documents and furnishes a written agreement to the Purchaser, in form and substance reasonably satisfactory to the Purchaser, to that effect. The Purchaser may, without the consent of the Seller, assign any of its rights and delegate any of its obligations under this Purchase and Sale Agreement without restriction; provided, however, that, notwithstanding anything to the contrary set forth in this Purchase and Sale Agreement, the Purchaser shall not, without the prior written consent of the Seller, (i) assign any of the Purchased Assets if such assignment would be inconsistent with or violate any of the provisions contained in either of the License Agreements that are enforceable, (ii) assign any of its rights or delegate any of its obligations to any Person that is a Restricted Person or (iii) assign any of its rights or delegate any of its obligations if any such assignment or delegation would otherwise be inconsistent with or violate any of the provisions contained in either of the License Agreements. The Purchaser shall give written notice to the Seller of any assignment permitted by this Section 9.4 promptly (but in any event within three (3) Business Days) after the occurrence thereof. The Seller shall be under no obligation to reaffirm any representations, warranties or covenants made in this Purchase and Sale Agreement or any of the other Transaction Documents or take any other action in connection with any such assignment by the Purchaser. Any purported assignment of rights or delegation of obligations in

violation of this Section 9.4 will be void. Subject to the foregoing, this Purchase and Sale Agreement will apply to, be binding upon, and inure to the benefit of, the successors and permitted assigns of the Parties. For the avoidance of doubt, nothing in this Section 9.4 shall be construed as limiting the provisions of Section 2.6.

Section 9.5 Independent Nature of Relationship. The relationship between the Seller and the Purchaser is solely that of seller and purchaser, and neither the Seller nor the Purchaser has any fiduciary or other special relationship with the other Party or any of its Affiliates. This Purchase and Sale Agreement is not a partnership or similar agreement, and nothing contained herein or in any other Transaction Document shall be deemed to constitute the Seller and the Purchaser as a partnership, an association, a joint venture or any other kind of entity or legal form for any purposes, including any Tax purposes. The Parties agree that they shall not take any inconsistent position with respect to such treatment in a filing with any Governmental Authority.

Section 9.6 Entire Agreement. This Purchase and Sale Agreement, together with the Exhibits and Schedules hereto, the other Transaction Documents and the Confidentiality Agreement, constitute a complete and exclusive statement of the terms of agreement between the Parties, and supersede all prior agreements, understandings and negotiations, both written and oral, between the Parties, with respect to the subject matter of this Purchase and Sale Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein (or in the Exhibits or Schedules hereto or the other Transaction Documents) has been made or relied upon by either Party.

Section 9.7 Governing Law.

(a) THIS PURCHASE AND SALE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE RULES THEREOF RELATING TO CONFLICTS OF LAW OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) Each Party irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of (i) the United States District Court for the Southern District of New York and (ii) the Supreme Court of the State of New York, Borough of Manhattan, for purposes of any claim, action, suit or proceeding arising out of this Purchase and Sale Agreement, any of the other Transaction Documents or any of the transactions contemplated hereby or thereby, and agrees that all claims in respect thereof shall be heard and determined only in such courts. Each Party agrees to commence any such claim, action, suit or proceeding only in the United States District Court for the Southern District of New York or, if such claim, action, suit or proceeding cannot be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, Borough of Manhattan, and agrees not to bring any such claim, action, suit or proceeding in any other court. Each Party hereby waives, and agrees not to assert in any such claim, action, suit or proceeding, to the fullest extent permitted by Applicable Law, any claim that (i) such Party is not personally subject to the jurisdiction of such courts, (ii) such Party and such Party's property is immune from any legal process issued by such courts or (iii) any claim, action, suit or proceeding commenced in such courts is brought in an inconvenient forum. Each Party agrees that a final judgment in any such claim, action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Applicable Law. Each Party acknowledges and agrees that this Section 9.7(b) constitutes a voluntary and bargained-for agreement between the Parties.

(c) The Parties agree that service of process in any claim, action, suit or proceeding referred to in Section 9.7(b) may be served on either Party anywhere in the world, including by sending or delivering a copy of such process to such Party in any manner provided for the giving of notices in Section 9.3. Nothing in this Purchase and Sale Agreement will affect the right of either Party to serve process in any other manner permitted by Applicable Law. Each Party waives personal service of any summons, complaint or other process, which may be made by any other means permitted by New York law.

Section 9.8 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PURCHASE AND SALE AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY HERETO WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS PURCHASE AND SALE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.8.

Section 9.9 Severability. If one or more provisions of this Purchase and Sale Agreement are held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be excluded from this Purchase and Sale Agreement and the balance of this Purchase and Sale Agreement shall be interpreted as if such provision were so excluded and shall remain in full force and effect and be enforceable in accordance with its terms. Any provision of this Purchase and Sale Agreement held invalid or unenforceable only in part or degree by a court of competent jurisdiction shall remain in full force and effect to the extent not held invalid or unenforceable.

Section 9.10 Counterparts. This Purchase and Sale Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Purchase and Sale Agreement shall become effective when each Party shall have received a counterpart hereof signed by the other Party. Any counterpart may be executed by facsimile or other similar means of electronic transmission, including “PDF”, and such facsimile or other electronic transmission shall be deemed an original.

Section 9.11 Amendments; No Waivers. Neither this Purchase and Sale Agreement nor any term or provision hereof may be amended, supplemented, restated, waived, changed or modified except with the written consent of the Parties. No failure or delay by either Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No notice to or demand on either Party in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval hereunder shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

Section 9.12 No Third Party Rights. Other than the Parties, no Person will have any legal or equitable right, remedy or claim under or with respect to this Purchase and Sale Agreement or any of the

other Transaction Documents. This Purchase and Sale Agreement may be amended or terminated, and any provision of this Purchase and Sale Agreement may be waived, without the consent of any Person who is not a Party. The Seller shall enforce any legal or equitable right, remedy or claim under or with respect to this Purchase and Sale Agreement for the benefit of the Seller Indemnified Parties and the Purchaser shall enforce any legal or equitable right, remedy or claim under or with respect to this Purchase and Sale Agreement for the benefit of the Purchaser Indemnified Parties. Notwithstanding the foregoing, and without limiting the generality of the last sentence of Section 2.6 and the last sentence of Section 9.4, nothing in this Section 9.12 shall be construed as limiting the rights of the Designated Affiliate, if any, under Section 2.6.

Section 9.13 Table of Contents and Headings. The Table of Contents and headings of the Articles and Sections of this Purchase and Sale Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.14 Trustee Capacity of Wilmington Trust Company. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally but solely in its trustee capacity, in the exercise of the powers and authority conferred and vested in it under [***], (ii) each of the representations, undertakings and agreements herein made on the part of the Purchaser is made and intended not as a personal representation, undertaking and agreement by Wilmington Trust Company but is made and intended for the purpose of binding only the Purchaser and (iii) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Purchaser or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Purchaser under this Agreement or any related documents.

{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 have executed this Purchase and Sale Agreement as of the day and year first written above.

NEKTAR THERAPEUTICS

By: /s/ John Nicholson
Name: John Nicholson
Title: Senior Vice President and Chief Financial Officer

RPI FINANCE TRUST

By: Wilmington Trust Company, not in its individual capacity but solely in its capacity as owner trustee

By: [***]
Name: [***]
Title: [***]

Exhibit 31.1

CERTIFICATIONS

I, Howard W. Robin, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2012

/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 Quarterly Report on Form 10-Q of Nektar Therapeutics;

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2012

/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 Quarterly Report on Form 10-Q for the three months ended March 31, 2012, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Dated: May 3, 2012

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