August 5, 2015

Nektar Therapeutics Reports Financial Results for the Second Quarter of 2015

SAN FRANCISCO, Aug. 5, 2015 /PRNewswire/ -- Nektar Therapeutics (Nasdaq: NKTR) today reported its financial results for the second quarter ended June 30, 2015.

Cash and investments in marketable securities at June 30, 2015 were $279.7 million as compared to $325.8 million at March 31, 2015.

"We are pleased that the MOVANTIK launch in the U.S. is off to an encouraging start with very rapid uptake," said Howard W. Robin, President and Chief Executive Officer of Nektar. "AstraZeneca plans to launch MOVANTIK in both Europe and Canada in the second half of this year. The SUMMIT-07 efficacy study of NKTR-181 in patients with chronic low back pain is well underway and proceeding ahead of schedule. We recently signed an important clinical collaboration with MD Anderson Cancer Center for our immuno-oncology therapy, NKTR-214, which is scheduled to enter a Phase 1 / 2 clinical study before year-end. Finally, Baxalta's ADYNOVATE, or BAX 855, continues on track to be approved and launched in the U.S. by the end of 2015."

Year-to-date revenue for 2015 was $131.5 million as compared to $48.3 million in the first half of 2014. The increase in revenue in the first half of 2015 as compared to the same period in 2014 is due to the recognition of $90.0 million of the $100.0 million milestone payment from AstraZeneca following the first commercial sale of MOVANTIK in the U.S. Revenue in the second quarter of 2015 was $22.7 million as compared to $28.5 million in the second quarter of 2014. Revenue included non-cash royalty revenue, related to our 2012 royalty monetization, of $4.7 million and $8.7 million in the second quarter and first half of 2015, respectively, and $4.8 million and $10.6 million in the second quarter and first half of 2014, respectively. This non-cash royalty revenue is offset by non-cash interest expense.

Total operating costs and expenses in the first half of 2015 were $131.9 million as compared to $107.6 million in the first half of 2014. Total operating costs and expenses in the second quarter of 2015 were $66.1 million as compared to $51.4 million in the second quarter of 2014. Total operating costs and expenses increased primarily as a result of increased research and development (R&D) expense.

Research and development expense in the second quarter of 2015 was $45.4 million as compared to $36.7 million in the second quarter of 2014. For the first half of 2015, R&D expense was $92.4 million as compared to $75.0 million in the first half of 2014. R&D expense was higher in the second quarter and first half of 2015 as compared to the same periods in 2014 primarily due to the initiation of the Phase 3 efficacy study of NKTR-181 in patients with chronic low back pain. Additionally, R&D expense in the first half of 2015 included costs related to the commercial scale-up of production of devices for Amikacin Inhale, the ongoing Phase 3 study of NKTR-102 in breast cancer, the ongoing Phase 1 study of NKTR-171, and IND enabling activities for NKTR-214, which will enter the clinic in 2015.

General and administrative expense was $10.2 million in the second quarter of 2015 as compared to $9.6 million in the second quarter of 2014. G&A expense in the first half of 2015 was $20.5 million as compared to $19.5 million in the first half of 2014.

Net loss in the second quarter of 2015 was $52.7 million or $0.40 loss per share as compared to $32.6 million or $0.26 loss per share in the second quarter of 2014. Net loss in the first half of 2015 was $18.8 million or $0.14 loss per share as compared to $78.8 million or $0.63 loss per share in the first half of 2014.

The company also announced the following upcoming presentations and events:

IASLC 16th World Congress on Lung Cancer, Denver, CO:

- Abstract/Poster Title*: "Etirinotecan Pegol (NKTR-102) in the Treatment of Patients with Metastatic Non Small Cell Lung Cancer (NSCLC) after Failure of 2nd Line Treatment: A Phase II study"*, Aggarwal C., et al.
  - Date: September 9, 2015, 9:30 a.m. - 4:30 p.m. Mountain Time

CRI-CIMT-EATI-AACR Inaugural International Cancer Immunotherapy Conference, Translating Science into Survival 2015, New York, NY:

- Abstract/Poster Title*: "Antitumor activity of the CD122-biased immunostimulatory cytokine combined with immune*

checkpoint blockade requires innate and adaptive immunity", Langowski, J., et al.
    - Date: September 18, 2015, 4:30-6:30 p.m. Eastern Time

Nektar Investor and Analyst R&D Day, St. Regis Hotel, New York, NY:

- Date: October 8, 2015, 12:00-3:30 p.m. Eastern Time

Conference Call to Discuss Second Quarter 2015 Financial Results

Nektar management will host a conference call to review the results beginning at 5:00 p.m. Eastern Time/2:00 p.m. Pacific Time today, Wednesday, August 5, 2015.

This press release and a live audio-only Webcast of the conference call can be accessed through a link that is posted on the home page and Investor Relations section of the Nektar website: http://www.nektar.com. The web broadcast of the conference call will be available for replay through Monday, September 7, 2015.

To access the conference call, follow these instructions:

Dial: (877) 881.2183 (U.S.); (970) 315.0453 (international)
Passcode**:** 97434654 (Nektar Therapeutics is the host)

In the event that any non-GAAP financial measure is discussed on the conference call that is not described in the press release, or explained on the conference call, related information will be made available on the Investor Relations page at the Nektar website as soon as practical after the conclusion of the conference call.

About Nektar

Nektar Therapeutics has a robust R&D pipeline in pain, oncology, hemophilia and other therapeutic areas. In the area of pain, Nektar has an exclusive worldwide license agreement with AstraZeneca for MOVANTIK™ (naloxegol), the first FDA-approved once-daily oral peripherally-acting mu-opioid receptor antagonist (PAMORA) medication for the treatment of opioid-induced constipation (OIC), in adult patients with chronic, non-cancer pain. The product is also approved in the European Union as MOVENTIG® (naloxegol) and is indicated for adult patients with OIC who have had an inadequate response to laxatives. The AstraZeneca agreement also includes NKTR-119, an earlier stage development program that is a co-formulation of MOVANTIK and an opioid. NKTR-181, a wholly-owned mu-opioid analgesic molecule for chronic pain conditions, is in Phase 3 development. NKTR-171, a wholly-owned new sodium channel blocker being developed as an oral therapy for the treatment of peripheral neuropathic pain, is in Phase 1 clinical development. In hemophilia, BAX 855, a longer-acting PEGylated Factor VIII therapeutic is in Phase 3 development conducted by partner Baxter. A BLA for BAX 855 was filed by Baxter to the US FDA in December, 2014 and is currently under review. In anti-infectives, Amikacin Inhale is in Phase 3 studies conducted by Bayer Healthcare as an adjunctive treatment for intubated and mechanically ventilated patients with Gram-negative pneumonia.

Nektar's technology has enabled nine approved products in the U.S. or Europe through partnerships with leading biopharmaceutical companies, including AstraZeneca's MOVANTIK™, UCB's Cimzia® for Crohn's disease and rheumatoid arthritis, Roche's PEGASYS® for hepatitis C and Amgen's Neulasta® for neutropenia.

Nektar is headquartered in San Francisco, California, with additional operations in Huntsville, Alabama and Hyderabad, India. Further information about the company and its drug development programs and capabilities may be found online at http://www.nektar.com.

MOVANTIK™ is a trademark and MOVENTIG® is a registered trademark of the AstraZeneca group of companies.

Cautionary Note Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "expect," "believe," "should," "may," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding the potential of MOVANTIK, AstraZeneca's planned commercial launch of MOVANTIK in Europe and Canada, the enrollment status of the SUMMIT-07 efficacy study of NKTR-181, the projected start date of the clinical program for NKTR-214, Baxalta's regulatory and commercial launch plans for ADYNOVATE, and the value and potential of our polymer conjugate technology and research and development pipeline. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results may differ materially

from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results to differ materially from those indicated in the forward-looking statements include, among others, (i) the commercial potential of a new drug at the early stages of commercial launch, such as MOVANTIK, is difficult to predict and will have a significant impact on our future results of operation and financial condition; (ii) the timing of the commencement or end of clinical trials and the commercial launch of our drug candidates and those of our partners may be delayed or unsuccessful due to regulatory delays, slower than anticipated patient enrollment, manufacturing challenges, changing standards of care, evolving regulatory requirements, clinical trial design, clinical outcomes, competitive factors, or delay or failure in ultimately obtaining regulatory approval in one or more important markets; (iii) scientific discovery of new medical breakthroughs is an inherently uncertain process and the future success of the application of our technology platform to potential new drug candidates is therefore highly uncertain and unpredictable and one or more research and development programs could fail; (iv) patents may not issue from our patent applications for our drugs (including MOVANTIK and ADYNOVATE) and drug candidates, patents that have issued may not be enforceable, or additional intellectual property licenses from third parties may be required; and (v) the outcome of any existing or future intellectual property or other litigation related to our drugs and drug candidates and those of our collaboration partners including MOVANTIK and ADYNOVATE. Other important risks and uncertainties set forth in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 1, 2015. Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

ASSETS	June 30, 2015	December 31, 2014 (1)
Current assets:		
Cash and cash equivalents	$ 20,875	$ 12,365
Restricted cash	25,000	25,000
Short-term investments	233,785	225,459
Accounts receivable, net	3,680	3,607
Inventory	10,124	12,952
Other current assets	8,782	8,817
Total current assets	302,246	288,200
Property, plant and equipment, net	72,158	70,368
Goodwill	76,501	76,501
Other assets	5,762	6,552
Total assets	$ 456,667	$ 441,621
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,833	$ 2,703
Accrued compensation	10,824	5,749
Accrued clinical trial expenses	8,946	7,708
Other accrued expenses	9,713	6,418
Interest payable	6,917	6,917
Capital lease obligations, current portion	5,643	4,512
Deferred revenue, current portion	22,987	24,473
Other current liabilities	13,214	5,567
Total current liabilities	81,077	64,047
Senior secured notes	125,000	125,000

Capital lease obligations, less current portion	2,889	4,139
Liability related to sale of future royalties	121,971	120,471
Deferred revenue, less current portion	73,963	76,911
Other long-term liabilities	16,668	14,721
Total liabilities	421,568	405,289
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	-	-
Common stock	13	13
Capital in excess of par value	1,841,730	1,824,195
Accumulated other comprehensive loss	(1,498)	(1,567)
Accumulated deficit	(1,805,146)	(1,786,309)
Total stockholders' equity	35,099	36,332
Total liabilities and stockholders' equity	$ 456,667	$ 441,621

(1) The consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles in the United States for complete financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue:				
Product sales and royalty revenue	$ 11,713	$ 5,891	$ 19,812	$ 11,808
Non-cash royalty revenue related to sale of future royalties	4,740	4,837	8,702	10,610
License, collaboration and other revenue	6,208	17,785	102,948	25,866
Total revenue	22,661	28,513	131,462	48,284
Operating costs and expenses:				
Cost of goods sold	10,534	5,108	18,978	13,015
Research and development	45,412	36,702	92,423	75,040
General and administrative	10,184	9,619	20,487	19,547
Total operating costs and expenses	66,130	51,429	131,888	107,602
Loss from operations	(43,469)	(22,916)	(426)	(59,318)
Non-operating income (expense):				
Interest expense	(4,118)	(4,488)	(8,289)	(9,021)
Non-cash interest expense on liability related to sale of future royalties	(5,152)	(5,134)	(10,202)	(10,521)
Interest income and other income (expense), net	246	96	457	408
Total non-operating expense, net	(9,024)	(9,526)	(18,034)	(19,134)
Loss before provision for income taxes	(52,493)	(32,442)	(18,460)	(78,452)
Provision for income taxes	164	195	377	386
Net loss	$ (52,657)	$ (32,637)	$ (18,837)	$ (78,838)
Basic and diluted net loss per share	$ (0.40)	$ (0.26)	$ (0.14)	$ (0.63)
Weighted average shares outstanding used in computing basic and diluted net loss per share	131,643	127,040	131,502	125,301

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

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (18,837)	$ (78,838)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash royalty revenue related to sale of future royalties	(8,702)	(10,610)
Non-cash interest expense on liability related to sale of future royalties	10,202	10,521
Stock-based compensation	9,737	8,525
Depreciation and amortization	5,833	6,519
Other non-cash transactions	(621)	865
Changes in operating assets and liabilities:		
Accounts receivable, net	(73)	(818)
Inventory	2,828	(659)
Other assets	190	738
Accounts payable	(10)	(1,818)
Accrued compensation	5,075	(2,868)
Accrued clinical trial expenses	1,238	(3,697)
Other accrued expenses	1,859	(314)
Deferred revenue	(4,434)	7,636
Other liabilities	11,772	(6,557)
Net cash provided by (used in) operating activities	16,057	(71,375)
Cash flows from investing activities:		
Maturities of investments	111,001	118,777
Purchases of investments	(124,468)	(166,496)
Sale of investments	5,215	-
Purchases of property, plant and equipment	(4,584)	(5,192)
Net cash used in investing activities	(12,836)	(52,911)
Cash flows from financing activities:		
Payment of capital lease obligations	(2,484)	(1,650)
Repayment of proceeds from sale of future royalties	-	(7,000)
Issuance of common stock, net of issuance costs	-	116,601
Proceeds from shares issued under equity compensation plans	7,798	7,961
Net cash provided by financing activities	5,314	115,912
Effect of exchange rates on cash and cash equivalents	(25)	6
Net increase (decrease) in cash and cash equivalents	8,510	(8,368)
Cash and cash equivalents at beginning of period	12,365	39,067
Cash and cash equivalents at end of period	$ 20,875	$ 30,699
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,320	$ 8,622

To view the original version on PR Newswire, visit:http://www.prnewswire.com/news-releases/nektar-therapeutics-reports-financial-results-for-the-second-quarter-of-2015-300124436.html

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