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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

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

For the fiscal year ended December 31, 2020

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 and zip code)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The approximate aggregate market value of voting stock held by non-affiliates of the registrant, based upon the last sale price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2020, as reported on The NASDAQ Global Select Market, was approximately $4.1 billion. This calculation excludes approximately 1,117,000 shares held by directors and executive officers of the registrant. Exclusion of these shares does not constitute a determination that each such person is an affiliate of the registrant.

As of February 17, 2021, the number of outstanding shares of the registrant's common stock was 182,182,063.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive Proxy Statement to be filed for its 2020 Annual Meeting of Stockholders are incorporated by reference into Part III hereof. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

NEKTAR THERAPEUTICS

2020 ANNUAL REPORT ON FORM 10-K

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Forward-Looking Statements

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

Trademarks

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

Summary of Risks

We are providing the following cautionary discussion of risk factors, uncertainties and assumptions that we believe are relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results and our forward-looking statements. We note these factors for investors as permitted by Section 21E of the Exchange Act and Section 27A of the Securities Act. Investors in Nektar Therapeutics should carefully consider the risks described below before making an investment decision. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider this section to be a complete discussion of all potential risks or uncertainties that may substantially impact our business. Moreover, we operate in a competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all of these factors on our business, financial condition or results of operations.

Risks to our business are more fully described below in Item IA in this Form 10-K, which risks include, among others:

- **Risks Related to our Research and Development Efforts:**
  - we are highly dependent on the success of bempegaldesleukin, our lead immuno-oncology (I-O) candidate, and our business will be significantly harmed if we are not successful in developing this drug candidate;
  - the outcomes from competitive I-O and combination therapy clinical trials, and the discovery and development of new potential oncology therapies could have a material and adverse impact on the value of our I-O pipeline;
  - significant competition for our polymer conjugate chemistry technology platforms and our partnered and proprietary products and drug candidates could make our technologies, drug products or drug candidates obsolete or uncompetitive;
  - preliminary and interim data from our clinical studies are subject to audit and verification procedures that could result in material changes in the final data and may change as more patient data become available; and
  - clinical trials for any of our drug candidates could be delayed for a variety of reasons.
- **Risks Related to our Collaboration Partners:**
  - we are highly dependent on our collaboration partners to initiate, properly conduct and prioritize clinical trials for bempegaldesleukin and NKTR-358 and to perform important additional development and commercialization activities, and our business will be significantly harmed if their actions deprioritize or otherwise harm the prospects of our drug candidates; and
  - the operations of our collaboration partners may be more affected by the COVID-19 pandemic than we are, or they may adopt more restrictive procedures for addressing the COVID-19 pandemic, either of which would delay initiating or completing one or more clinical trials involving our drug candidates.
- **Risks Related to our Financial Condition and Capital Requirements:**
  - 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 the market size for a new drug that received approval is significantly smaller than we anticipate, it could negatively impact our revenue, results of operations and financial condition;
  - if third-party payers (including government programs) do not provide payment or reimbursement for our products, those products will not be widely accepted, which would negatively impact our business, results of operations and financial condition; and
  - our revenue is exclusively derived from our collaboration agreements. If we are unable to establish and maintain collaboration partnerships on attractive commercial terms, our business, results of operations and financial condition could suffer.
- **Risks Related to the COVID-19 Pandemic:** Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic.
- **Risks Related to Supply and Manufacturing:**
  - if we or our contract manufacturers are not able to manufacture drugs or drug substances in sufficient quantities that meet applicable quality standards, our business, financial condition and results of operations could be negatively harmed; and

- 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 delays, loss of revenue and contract liability.

- **Risks Related to Business Operations:** If we are unable to create robust sales, marketing and distribution capabilities or to enter into agreements with third parties to perform these functions, we will be unable to commercialize our drug candidates successfully.
- **Risks Related to Intellectual Property, Litigation and Regulatory Concerns:**
  - we may not elect or be able to take advantage of any expedited development or regulatory review and approval processes available to drug candidates granted Breakthrough Therapy designation by the United States Food and Drug Administration (FDA);
  - we or our partners may not obtain regulatory approval for our drug candidates on a timely basis, or at all; and
  - patents may not issue from our patent applications for our drug candidates, patents that have issued may not be enforceable, or additional intellectual property licenses from third parties may be required, which may not be available on commercially reasonable terms.

In addition to the above-mentioned risks, our business is subject to a number of general risks that are also faced by business generally.

PART I

Item 1. Business

Nektar Therapeutics is a research-based biopharmaceutical company focused on discovering and developing innovative medicines in areas of high unmet medical need. Our research and development pipeline of new investigational drugs includes potential therapies for oncology, immunology and virology. We leverage our proprietary and proven chemistry platform to discover and design new drug candidates. These drug candidates utilize our advanced polymer conjugate technology platforms, which are designed to enable the development of new molecular entities that target known mechanisms of action. We continue to make significant investments in building and advancing our pipeline of proprietary drug candidates as we believe that this is the best strategy to build long-term stockholder value. We refer to our drug candidates where we retain at least U.S. commercial rights as "proprietary programs," and refer to our other drug candidate programs where we have licensed U.S. and potentially other commercial rights to collaboration partners as "collaboration partner programs."

Our Proprietary Programs

Oncology

In the area of oncology, we have a particular focus on developing medicines in the area of I-O, which is a therapeutic approach based on targeting biological pathways that stimulate and sustain the body's immune response in order to fight cancer. We are developing medicines designed to directly or indirectly modulate the activity of key immune cells, such as cytotoxic T cells and natural killer (NK) cells, to increase their numbers and to improve their function to recognize and attack cancer cells.

Bempegaldesleukin (previously referred to as NKTR-214), our lead I-O candidate, is a biologic with biased signaling through one of the Interleukin-2 (IL-2) receptor subunits (CD122) that can stimulate proliferation and growth of tumor-killing immune cells in the tumor micro-environment and increase expression of PD-1 on these immune cells. Our strategic objective is to establish bempegaldesleukin as a key component of many I-O combination regimens with the potential to improve the standard of care in multiple oncology settings. To this end, we are executing a comprehensive clinical development program for bempegaldesleukin, including a broad clinical collaboration with the Bristol-Myers Squibb Company (BMS), several clinical collaborations with other third parties with pharmacological agents that have potential complementary mechanisms to bempegaldesleukin, as well as pursuing our own independent clinical studies.

On February 12, 2018, we entered into a Strategic Collaboration Agreement (BMS Collaboration Agreement) with BMS pursuant to which we and BMS are jointly developing bempegaldesleukin in combination with BMS's Opdivo® (nivolumab, a PD-1 inhibitor) and certain other agents. The key economic components of the collaboration transaction included BMS making a non-refundable up-front payment of $1.0 billion to Nektar and an $850.0 million premium equity investment in our common stock, BMS being responsible for a majority of the clinical costs of the collaboration development plan, wherein our annual funding obligation for collaboration development is limited to $125.0 million, Nektar retaining a 65% profit interest in bempegaldesleukin, and Nektar having the right to record global revenue for bempegaldesleukin commercial sales. Pursuant to the BMS Collaboration Agreement, we and BMS are jointly developing bempegaldesleukin under a broad joint development plan (Collaboration Development Plan) that was updated pursuant to an Amendment No. 1 entered into on January 9, 2020. The Collaboration Development Plan includes the ongoing registrational trials in first-line metastatic melanoma (for which the FDA granted Breakthrough Therapy designation), first-line cisplatin ineligible, PD-L1 low, locally advanced or metastatic urothelial cancer, first-line metastatic renal cell carcinoma (RCC), muscle-invasive bladder cancer and adjuvant melanoma, as well as a Phase 1/2 dose escalation and expansion study to evaluate bempegaldesleukin plus Opdivo® in combination with a tyrosine kinase inhibitor in first line RCC to support a future Phase 3 registrational trial. Several other registrational-supporting pediatric and safety studies for the combination of bempegaldesleukin and Opdivo® are currently underway.

Also, as specifically allowed under the BMS Collaboration Agreement, we are independently studying bempegaldesleukin in combination with agents outside of the Collaboration Development Plan. On February 12, 2021, we entered into a financing and co-development collaboration with SFJ Pharmaceuticals to support a Phase 2/3 registrational clinical study of bempegaldesleukin plus Keytruda® (pembrolizumab) in patients with squamous cell carcinoma of the head and neck whose tumors express PD-L1 (Combined Positive Score [CPS] ≥1) (the "SCCHN Study"). On February 17, 2021, we announced that we entered into a clinical trial and collaboration agreement with Merck (known as "MSD" outside the United States and Canada) under which Merck will supply Keytruda® free of charge to us to support the SCCHN Study. In addition, we are independently studying bempegaldesleukin in combination with Keytruda® in a non-small cell lung cancer (NSCLC) Phase 1/2 trial.

We are also conducting development activities evaluating bempegaldesleukin in combination with other agents that have potential complementary mechanisms of action. For example, we are working in collaboration with Vaccibody AS to evaluate bempegaldesleukin in combination with Vaccibody's personalized cancer neoantigen vaccine in a Phase 1 proof-of-concept study in patients with locally advanced or metastatic tumors.

We are also developing bempegaldesleukin in combination with NKTR-262. NKTR-262 is a small molecule agonist that targets toll-like receptors (TLRs) found on innate immune cells in the body. NKTR-262 is designed to stimulate the innate immune system and promote maturation and activation of antigen-presenting cells (APCs), such as dendritic cells, which are critical to induce the body's adaptive immunity and create antigen-specific cytotoxic T cells. NKTR-262 is being developed as an intra-tumoral injection in combination with systemic bempegaldesleukin to induce an abscopal response and achieve the goal of tumor regression in cancer patients treated with both therapies. The Phase 1/2 dose-escalation and expansion trial in patients with solid tumors is currently ongoing.

Our next most advanced I-O program is NKTR-255. NKTR-255 is a biologic that targets the IL-15 pathway in order to activate the body's innate and adaptive immunity. Activation of the IL-15 pathway enhances the survival and function of NK cells and induces survival of both effector and CD8 memory T cells. Recombinant human IL-15 is rapidly cleared from the body and must be administered frequently and in high doses limiting its utility due to toxicity. Through optimal engagement of the IL-15 receptor complex, NKTR-255 is designed to enhance functional NK cell populations and the formation of long-term immunological memory, which may lead to sustained anti-tumor immune response. Preclinical findings suggest NKTR-255 has the potential to synergistically combine with antibody-dependent cellular toxicity molecules as well as enhance CAR-T therapies. We have initiated a Phase 1 dose escalation and expansion clinical study of NKTR-255 in adults with relapsed or refractory non-Hodgkin lymphoma or multiple myeloma, as well as a Phase 1/2 clinical study of NKTR-255 in patients with relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer. At the 2020 Society for Immunotherapy of Cancer (SITC) Annual Meeting, we reported early findings from the Phase 1 dose escalation study that demonstrated expansion of lymphocytes, increases in NK and CD8+ T cells in patients with multiple myeloma and non-Hodgkin lymphoma. We have entered into a preclinical research collaboration with Janssen Research and Development, LLC (Janssen) to test the combination of NKTR-255 with therapies in Janssen's oncology portfolio.

Virology

Our proprietary drug candidates, bempegaldesleukin and NKTR-255, also have potential applications in the area of virology. With regard to bempegaldesleukin, we believe this drug candidate's ability to directly increase the numbers of anti-viral CD4+, CD8+ and NK lymphocytes, which are known to be critical for the resolution of many viral infections in people, and specifically infections with respiratory coronaviruses in a variety of animal models, could be useful as a therapeutic in treating individuals affected with COVID-19. We are studying in the clinic bempegaldesleukin as a treatment for mild COVID-19.

With regard to NKTR-255, we believe this drug candidate's ability to activate and proliferate NK cells and memory CD8+ T cells to target activated CD4+ T cells can result in killing virus-infected cells. We have entered into a preclinical research collaboration with Gilead to test the combination of NKTR-255 with therapies in Gilead's antiviral portfolio.

Collaboration Partner Programs

Immunology

NKTR-358 is an investigational drug designed to correct the underlying immune system imbalance in the body which occurs in patients with autoimmune disease. The breakdown of mechanisms assuring recognition of self and non-self is what underlies all autoimmune diseases. A failure of the body's self-tolerance mechanisms is known to result from pathogenic auto reactive T lymphocytes. By increasing the number of regulatory T cells (which are specific immune cells in the body that modulate the immune system and prevent autoimmune disease by maintaining self-tolerance), these pathogenic auto reactive T lymphocytes can be reduced, and the proper balance of effector and regulatory T cells can be achieved to restore the body's self-tolerance mechanisms. There is consistent evidence that suboptimal regulatory T cell numbers and their lack of activity play a significant role in a myriad of autoimmune diseases. NKTR-358 is designed to optimally target the IL-2 receptor complex in order to stimulate proliferation and growth of regulatory T cells. NKTR-358 is being developed as a once or twice monthly self-administered injection for a number of autoimmune diseases.

On July 23, 2017, we entered into a worldwide license agreement with Eli Lilly and Company (Lilly) to co-develop NKTR-358 ("Lilly Agreement"). We received an initial payment of $150.0 million in September 2017 and are eligible for up to an additional $250.0 million for development and regulatory milestones. We were responsible for completing Phase 1 clinical development and certain drug product development and supply activities. We also share Phase 1b and Phase 2 development

costs with Lilly, with Lilly responsible for 75% and Nektar responsible for 25% of these costs. We will have the option to contribute funding to Phase 3 development on an indication-by-indication basis, ranging from zero to 25% of the global Phase 3 development costs. Based upon our level of contribution to the Phase 3 development costs and the level of annual global product sales, we are eligible to receive a royalty rate up to the low twenties for sales of NKTR-358 upon approval. Lilly will be responsible for all costs of global commercialization and we will have an option to co-promote in the U.S. under certain conditions.

We have completed the first Phase 1 dose-finding trial of NKTR-358 to evaluate single-ascending doses of NKTR-358 in approximately 100 healthy subjects, and we also completed a Phase 1 multiple-ascending dose trial to evaluate NKTR-358 in patients with systemic lupus erythematosus (SLE). Lilly has completed a single-ascending dose study of NKTR-358 in Japanese and Caucasian healthy subjects, and is conducting two Phase 2 studies of NKTR-358 in patients with SLE and ulcerative colitis as well as two Phase 1b studies in patients with psoriasis and atopic dermatitis.

Other Collaboration Partner Programs

In 2014, we achieved the first approval of one of our proprietary drug candidates, MOVANTIK® (naloxegol), under a global license agreement with AstraZeneca AB (AstraZeneca). MOVANTIK® is an oral peripherally-acting opioid antagonist, for the treatment of opioid-induced constipation, a side effect caused by chronic administration of prescription opioid pain medicines. AstraZeneca markets and sells MOVANTIK® in the United States in collaboration with Daiichi Sankyo, Inc. (Daiichi). Kyowa Hakko Kirin Co. Ltd. (Kirin) has exclusive marketing rights to MOVENTIG® (the naloxegol brand name in the EU) in the EU, Iceland, Liechtenstein, Norway and Switzerland.

We have a collaboration with Baxalta, Inc. (Baxalta, a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited, Takeda) to develop and commercialize PEGylated drug candidates with the objective of providing new long-acting therapies for hemophilia patients. Under this collaboration, we worked with Baxalta to develop ADYNOVATE®, an extended half-life recombinant factor VIII (rFVIII) treatment for Hemophilia A based on ADVATE® (Antihemophilic Factor (Recombinant)). ADYNOVATE®, was first approved by the FDA in late 2015 for Hemophilia A. ADYNOVATE® has also been approved in the European Union, Japan, Korea, Canada, and certain other countries using the same or similar brand names such as ADYNOVI®.

We also have a number of license, manufacturing and supply agreements with other leading biotechnology and pharmaceutical companies, including Amgen, Inc., Pfizer and UCB Pharma (UCB). More than 10 products using our PEGylation technology have received regulatory approval in the U.S. or the EU.

Corporate Information

We were incorporated in California in 1990 and reincorporated in Delaware in 1998. We maintain our executive offices at 455 Mission Bay Boulevard South, San Francisco, California 94158, and our main telephone number is (415) 482-5300. Our website is located at www.nektar.com. The information contained in, or that can be accessed through, our website is not part of, and is not incorporated in, this Annual Report on Form 10-K.

Our Technology Platform

As a leader in the polymer conjugation field, we have advanced our technology platform to include new advanced polymer technologies that can be tailored in specific and customized ways with the objective of optimizing and significantly improving the profile of a wide range of molecules, including many classes of drugs targeting numerous disease areas. Polymer conjugation or PEGylation has been a highly effective technology platform for the development of therapeutics with significant commercial success, such as Amgen's Neulasta® (pegfilgrastim) and UCB's CIMZIA® (certolizumab pegol). Nearly all of the PEGylated drugs approved over the last fifteen years were enabled with our PEGylation technology through our collaborations and licensing partnerships with a number of well-known biotechnology and pharmaceutical companies. PEGylation is a versatile technology as a result of polyethylene glycol (PEG) being a water soluble, amphiphilic, non-toxic, non-immunogenic compound that has been shown to safely clear from the body. Its primary use to date has been in currently approved biologic drugs to favorably alter their pharmacokinetic or pharmacodynamic properties. However, in spite of its widespread success in commercial drugs, there are some limitations with the first-generation PEGylation approaches that have been used with biologics. For example, these first generation techniques cannot be used successfully to create small molecule drugs which could potentially benefit from the application of the technology. Other limitations of the early applications of PEGylation technology include sub-optimal bioavailability and bioactivity, and its limited ability to be used to fine-tune properties of the drug.

With our expertise and proprietary technology in polymer conjugation, we have created the next generation of PEGylation technology. Our advanced polymer conjugation technology platform is designed to overcome the limitations of

first generation techniques to allow for the application of technology to a broader range of molecules across many therapeutic areas. We have also developed robust manufacturing processes for generating second generation PEGylation reagents that allow us to utilize the full potential of these newer approaches.

Our advanced polymer conjugate technology platforms have the potential to offer one or more of the following benefits:

- improve efficacy or safety of a drug as a result of better pharmacokinetics, pharmacodynamics, longer half-life and sustained exposure of the drug;
- improve targeting or binding affinity of a drug to its target receptors with the potential to improve efficacy and reduce toxicity or drug resistance;
- improve solubility of a drug;
- enable oral administration of parenterally-administered drugs, or drugs that must be administered intravenously or subcutaneously, and increase oral bioavailability of small molecules;
- prevent drugs from crossing the blood-brain barrier, or reduce their rate of passage into the brain, thereby limiting undesirable central nervous system effects;
- reduce first-pass metabolism effects of certain drug classes with the potential to improve efficacy, which could reduce the need for other medicines and reduce toxicity;
- reduce the rates of drug absorption and of elimination or metabolism by improving stability of the drug in the body and providing it with more time to act on its target;
- differentially alter binding affinity of a drug for multiple receptors, improving its selectivity for one receptor over another; and
- reduce immune response to certain macromolecules with the potential to prolong their effectiveness with repeated doses.

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

Large Molecule Pro-Drug Releasable Polymer Conjugates (Cytokines)

Our customized approaches with large molecule polymer conjugates can be applied to biologics, in particular cytokines, which utilize the polymer as a means to bias action to a certain receptor or receptor sub-type. In addition, a cytokine's pharmacokinetics and pharmacodynamics can be substantially improved and its half-life can be significantly extended. An example of this is bempegaldesleukin, which is a CD122-preferential IL-2 pathway agonist designed to stimulate the patient's own immune system to fight cancer, without over-activating the immune system, with an every two or every three-week dosing schedule.

Large Molecule Polymer Conjugates (Proteins and Peptides)

Our customized approaches with large molecule polymer conjugates have enabled numerous successful PEGylated biologics on the market today. Through rational drug design, a protein's or peptide's pharmacokinetics and pharmacodynamics can be substantially improved and its half-life can be significantly extended. An example of this is Baxalta's ADYNOVATE®, a longer-acting (PEGylated) form of a full-length recombinant factor VIII (rFVIII) protein, which was approved by the FDA in November 2015 for use in adults and adolescents, aged 12 years and older, who have Hemophilia A. In December 2016, the FDA expanded the approval of ADYNOVATE® for use in surgical settings for both adults and pediatric patients, and also for the treatment of Hemophilia A in pediatric patients under 12 years of age.

Our scientists have shown that we can also optimize relative receptor binding characteristics of large molecule conjugates. For instance, the cytokine IL-2 has two different receptor complexes in the body that cause opposing effects on the immune system. We have engineered different novel conjugates of IL-2 with optimized differential receptor binding to the IL-2 receptor categories in the immune system. By biasing the receptor binding of these molecules in complementary ways, we have made two different drug candidates: bempegaldesleukin, which selectively activates effector T cells, which kill tumors; and NKTR-358, which selectively activates regulatory T cells, which can reduce the pathological immune activation that underlies many autoimmune diseases.

Small Molecule Stable Polymer Conjugates

Our customized approach for small molecule polymer conjugates allows for the fine-tuning of the physicochemical and pharmacological properties of small molecule oral drugs to potentially increase their therapeutic benefit. In addition, this approach can enable oral administration of subcutaneously or intravenously delivered small molecule drugs that have low bioavailability when delivered orally. The benefits of this approach can also include: improved potency, modified biodistribution with enhanced pharmacodynamics, and reduced transport across specific membrane barriers in the body, such as the blood-brain barrier. An example of reducing transport across the blood-brain barrier is MOVANTIK®, an orally-available peripherally-acting opioid antagonist that is approved in the United States, the EU and other countries.

Small Molecule Pro-Drug Releasable Polymer Conjugates

The pro-drug polymer conjugation approach can be used to optimize the pharmacokinetics and pharmacodynamics of a small molecule drug to substantially increase its efficacy and improve its side effect profile. We are currently using this platform for NKTR-262. For NKTR-262 and other oncolytics, this platform can improve sub-optimal half-lives that can limit therapeutic efficacy. With our releasable polymer conjugate technology platform, we believe that oncolytic drugs can be modulated for programmed release within the body, optimized bioactivity and increased sustained exposure of active drug to tumor cells in the body.

Antibody Fragment Polymer Conjugates

This approach uses a large molecular weight PEG conjugated to antibody fragments in order to potentially improve their toxicity profile, extend their half-life and allow for ease of synthesis with the antibody. The specially designed PEG replaces the function of the fragment crystallizable (Fc) domain of full length antibodies with a branched architecture PEG with either stable or degradable linkage. This approach can be used to reduce antigenicity, reduce glomerular filtration rate, enhance uptake by inflamed tissues, and retain antigen-binding affinity and recognition. One approved product on the market that utilizes our technology with an antibody fragment is CIMZIA® (certoluzimab pegol), which was developed by our partner UCB and is approved for the treatment of Crohn's Disease and ankylosing spondylitis in the U.S., axial spondyloarthritis in the EU and psoriatic arthritis and rheumatoid arthritis in the U.S. and EU.

Our Strategy

The key elements of our business strategy are described below:

Advance Our Proprietary Clinical Pipeline of Drug Candidates that Leverage Our Advanced Polymer Conjugate Platform

Our objective is to create value by advancing our lead drug candidates through various stages of clinical development. To support this strategy, we leverage the expertise and experience within our internal research, preclinical, clinical development and regulatory departments. A key component of our development strategy is to potentially reduce the risks and time associated with drug development by capitalizing on the known safety and efficacy of existing drugs and drug candidates as well as established pharmacologic targets and drugs directed to those targets. For some of our novel drug candidates, we may seek to study the drug candidates in indications for which the parent drugs have not been studied or approved. We believe that the improved characteristics of our drug candidates will provide meaningful benefit to patients compared to the existing therapies. In addition, in certain instances we have the opportunity to develop new treatments for patients for which the parent drugs are not currently approved.

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

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

Transition to a Fully-Integrated Specialty Biotechnology Company with a Commercial Capability in the I-O Therapeutic Area

If we are successful with the development of bempegaldesleukin or one of our I-O drug candidates and one or more of them is approved, we plan to establish a commercial capability in the U.S. and other select major markets to market, sell and distribute these proprietary I-O therapies. Under our BMS Collaboration Agreement, we retained significant global commercial rights to bempegaldesleukin including global co-promotion rights for all combinations of bempegaldesleukin with any BMS proprietary therapy, and we lead global commercialization for all other bempegaldesleukin combination regimens. We also have the contractual right under our BMS Collaboration Agreement to record all worldwide sales and revenue for bempegaldesleukin and we have final decision-making authority regarding the pricing of bempegaldesleukin.

Selectively Enter into Strategic Collaboration Agreements

We decide on a drug-candidate-by-drug-candidate basis, how far to advance clinical development (e.g., Phase 1, 2 or 3) and whether to commercialize products on our own, or seek a partner, or pursue a combination of these approaches. When we determine to seek a partner, our strategy is to selectively access a partner's development, regulatory, or commercial capabilities with the structure of the collaboration depending on factors such as economic risk sharing, the cost and complexity of development, marketing and commercialization needs, therapeutic areas, potential for combination of drug programs, and geographic capabilities.

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

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

Nektar Proprietary Programs

The following table summarizes our proprietary drugs that are being developed by us or in collaboration with other pharmaceutical companies or independent investigators. The table includes the type of molecule or drug, the target indications for the drug candidate, and the status of the clinical development program.

Drug Candidate	Therapeutic Area	Status(1)
Bempegaldesleukin (CD122-preferential IL-2 pathway agonist)	Immuno-oncology	Phase 1, Phase 2, and Phase 3 studies ongoing in multiple indications
	Virology	Phase 1
NKTR-358 (cytokine Treg stimulant)	Autoimmune Disease	Phase 1, Phase 2
NKTR-262 (toll-like receptor agonist)	Oncology	Phase 1
NKTR-255 (IL-15 receptor agonist)	Immuno-oncology	Phase 1, Phase 1/2
	Virology	Research/Preclinical

(1) Status definitions are:
Phase 3 or Pivotal — drug candidate in large-scale clinical trials conducted to obtain regulatory approval to market and sell the drug (these trials are typically initiated following encouraging Phase 2 trial results).
Phase 2 — a drug candidate in clinical trials to establish dosing and efficacy in patients.
Phase 1 — a drug candidate in clinical trials, typically in healthy subjects, to test safety.
Research/Preclinical — a drug candidate is being studied in research by way of in vitro studies and/or animal studies

Overview of Nektar Proprietary Programs

Immuno-oncology (I-O)

Bempegaldesleukin (previously known as NKTR-214, cytokine immunostimulatory therapy)

Bempegaldesleukin is a CD122-preferential IL-2 pathway agonist designed to stimulate the patient's own immune system to fight cancer without over-activating the immune system. Bempegaldesleukin is designed to grow specific cancer-killing T cells and natural (NK) cell populations in the body, which are known as endogenous tumor-infiltrating lymphocytes (TILs). Bempegaldesleukin stimulates these cancer-killing immune cells in the body by targeting CD122-specific receptors found on the surface of these immune cells, known as CD8+ effector T cells and NK cells. CD122, which is also known as the IL-2 receptor beta subunit, is a key signaling receptor that is known to increase proliferation of these CD8+ effector T cells. This receptor selectivity is intended to increase efficacy and improve safety over existing immunostimulatory cytokine drugs.

The development program for bempegaldesleukin includes combinations with a number of therapeutic approaches where we believe there is a strong biologic rationale for complementary mechanisms of action. On September 21, 2016, we entered into a Clinical Trial Collaboration Agreement with BMS, pursuant to which we and BMS collaborated to conduct Phase 1/2 clinical trials evaluating bempegaldesleukin and BMS' human monoclonal antibody that binds to PD-1, known as Opdivo®, as a potential combination treatment regimen in five tumor types and eight potential indications (each, a Combined Therapy Trial). In the first phase of the PIVOT-02 study, we evaluated the clinical benefit, safety, and tolerability of combining bempegaldesleukin with Opdivo® in thirty-eight patients. Interim data from the dose-escalation phase of the trial was presented at the 2017 SITC meeting in November 2017. We identified the recommended Phase 2 dose for bempegaldesleukin in combination with Opdivo®. The second phase of the expansion cohorts, which now falls under the BMS Collaboration Agreement entered into on February 13, 2018, and described below, is evaluating the safety and efficacy of combining bempegaldesleukin with Opdivo®.

On February 13, 2018, we entered into the second agreement with BMS (the BMS Collaboration Agreement), pursuant to which we and BMS are jointly developing bempegaldesleukin, including, without limitation, in combination with BMS's Opdivo®, and in combination with other compounds (whether from BMS, a third party, or from our own portfolio). Under the BMS Collaboration Agreement, we and BMS will collaborate to develop and conduct clinical studies of bempegaldesleukin pursuant to the Collaboration Development Plan, and we will jointly commercialize bempegaldesleukin on a worldwide basis. On April 3, 2018, the closing date of the transaction, BMS paid us a non-refundable upfront cash payment of $1.0 billion and purchased $850.0 million of our common stock at a purchase price of $102.60 per share pursuant to a Share Purchase Agreement (Purchase Agreement). We are eligible to receive additional cash payments up to a total of approximately $1.455 billion (including the milestones which we have received under Amendment No. 1 described below) upon achievement of certain development and regulatory milestones, and up to a total of $350.0 million upon achievement of certain sales milestones. Under the BMS Collaboration Agreement, we have the contractual right to record all worldwide sales and revenue for bempegaldesleukin. BMS will lead commercialization for combinations of bempegaldesleukin with BMS proprietary medicines, and we will lead all other commercialization efforts for bempegaldesleukin. We will have the final decision-making authority regarding the pricing for bempegaldesleukin. Bempegaldesleukin will be sold on a stand-alone basis and there will be no fixed-dose combinations or co-packaging without the consent of both parties.

On August 1, 2019, we and BMS announced that the FDA granted Breakthrough Therapy designation for bempegaldesleukin in combination with Opdivo® for the treatment of patients with previously untreated unresectable or metastatic melanoma. Breakthrough Therapy designation is intended to expedite the development and review of medicines aimed at treating serious or life-threatening disease where there is preliminary evidence that the investigational therapy may offer substantial improvement over existing therapies on at least one clinically significant endpoint.

On January 9, 2020, we and BMS entered into an Amendment No. 1 (the Amendment) to the BMS Collaboration Agreement. Pursuant to the Amendment, we and BMS agreed to update the Collaboration Development Plan under which we are collaborating and developing bempegaldesleukin. Specifically, pursuant to the updated Collaboration Development Plan, bempegaldesleukin in combination with Opdivo® is currently being evaluated in ongoing registrational trials in first-line metastatic melanoma, first-line cisplatin ineligible, PDL1 low, locally advanced or metastatic urothelial cancer, first-line metastatic renal cell carcinoma (RCC), muscle-invasive bladder cancer, and adjuvant melanoma, as well as a Phase 1/2 dose escalation and expansion study to evaluate bempegaldesleukin plus Opdivo® in combination with either axitinib or cabozantinib in first line RCC in order to support a future Phase 3 registrational trial. Several other registrational-supporting pediatric and safety studies for the combination of bempegaldesleukin and Opdivo® are currently underway.

The Amendment did not alter the cost-sharing methodology under the BMS Collaboration Agreement. The parties share development costs based on each party's relative ownership interest in the compounds included in the regimen. For

example, we share clinical development costs for bempegaldesleukin in combination with Opdivo®, BMS 67.5% and Nektar 32.5%. For costs of manufacturing bempegaldesleukin, however, BMS is responsible for 35% and Nektar is responsible for 65% of costs. BMS supplies Opdivo® free of charge. We also share commercialization related costs, 35% BMS and 65% Nektar. Our share of development costs is limited to an annual cap of $125.0 million. Neither party will develop a therapy using an IL-2 agonist in combination with a small or large molecule that binds to the PD(L)-1 target, in indications included in the Collaboration Development Plan (each, a Competing Combination), whether alone or in collaboration with any third party, during a limited exclusivity period from the closing date under the BMS Collaboration Agreement until the later of (i) the first commercial sale of bempegaldesleukin or (ii) the third anniversary of the closing date, but each party may develop a Competing Combination on its own (but not in collaboration with any third party) during the three years after the end of the foregoing limited exclusivity period. Other than as described above, Nektar may independently develop and commercialize bempegaldesleukin either alone or in combination with other Nektar proprietary compounds or third party compounds.

Outside of the Collaboration Development Plan with BMS, we are also conducting a broad array of development activities evaluating bempegaldesleukin in combination with other agents that have potential complementary mechanisms of action. Our strategic objective is to establish bempegaldesleukin as a key component with many immuno-oncology combination regimens with the potential to raise the standard of care in multiple oncology settings.

For example, as specifically allowed under the BMS Collaboration Agreement, we are independently studying bempegaldesleukin in combination with Keytruda®, a PD-1 inhibitor. On February 12, 2021, we entered into a financing and co-development collaboration with SFJ Pharmaceuticals to support a Phase 2/3 registrational clinical study of bempegaldesleukin plus Keytruda® in patients with head and neck cancer whose tumors express PD-L1 (Combined Positive Score [CPS] ≥1). Also, we are working in collaboration with Vaccibody AS to evaluate bempegaldesleukin with Vaccibody's personalized cancer neoantigen vaccine in a Phase 1 proof-of-concept study. In addition, we are independently studying bempegaldesleukin in combination with Keytruda® in a non-small cell lung cancer (NSCLC) Phase 1/2 trial.

With our non-BMS clinical collaborations for bempegaldesleukin, generally each party supports the collaboration based on its expertise and resources. For example, our co-development collaboration agreement with SFJ includes both financial support in the form of up to $150 million to fund the Phase 2/3 registrational clinical study of bempegaldesleukin plus Keytruda® in head and neck cancer, as well as operational support in managing the clinical trial. In addition, we announced on February 17, 2021, that we had entered into a clinical trial collaboration and supply agreement with Merck wherein we will receive supplies of Keytruda® at no cost to us. We expect to continue to make significant and increasing investments exploring the potential of bempegaldesleukin with mechanisms of action that we believe are synergistic with bempegaldesleukin based on emerging scientific findings in cancer biology and preclinical development work.

In addition to these non-BMS clinical collaborations for bempegaldesleukin, we intend to initiate further clinical development programs, on our own or in collaboration with other potential partners, to explore the potential of combining bempegaldesleukin with other therapies such as cancer vaccines (other than Vaccibody's personalized cancer neoantigen vaccine), adoptive cell therapy, and other small molecules and biological agents in order to generate novel immuno-oncology approaches.

NKTR-262

NKTR-262 is a small molecule agonist that targets toll-like receptors (TLRs) found on innate immune cells in the body. NKTR-262 is designed to overcome the body's dysfunction of antigen-presenting cells (APCs), such as dendritic cells, which are critical to induce the body's adaptive immunity and create antigen-specific cytotoxic T cells. NKTR-262 is being developed as a single intra-tumoral injection to be administered at the start of therapy with bempegaldesleukin in order to induce an abscopal response and achieve the goal of tumor regression in cancer patients treated with both therapies. We initiated enrollment of patients in the initial Phase 1/2 clinical study in April 2018, which we call the REVEAL study, and the dose-escalation portion of this clinical study is ongoing.

NKTR-255

NKTR-255 is a biologic that targets the IL-15 pathway in order to activate the body's innate and adaptive immunity. Activation of the IL-15 pathway enhances the survival and function of NK cells and induces survival of both effector and CD8 memory T cells. Recombindant human IL-15 is rapidly cleared from the body and must be administered frequently and in high doses limiting its utility due to toxicity. Through optimal engagement of the IL-15 receptor complex, NKTR-255 is designed to enhance functional NK cell populations and the formation of long-term immunological memory, which may lead to sustained anti-tumor immune response. Preclinical findings suggest NKTR-255 has the potential to synergistically combine with antibody-dependent cellular toxicity molecules as well as enhance CAR-T therapies. We have initiated a Phase 1 clinical study

of NKTR-255 in adults with relapsed or refractory non-Hodgkin lymphoma or multiple myeloma, as well as a Phase 1/2 clinical study of NKTR-255 in patients with relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer. Additionally, we have entered into separate preclinical research collaborations with Gilead and Janssen to test the combination of NKTR-255 with therapies in Gilead's antiviral portfolio and Janssen's oncology portfolio, respectively.

Collaboration Partner Programs

The following table outlines our collaborations with a number of pharmaceutical companies that currently license our intellectual property and, in some cases, purchase our proprietary PEGylation materials for their drug products. More than ten products using our PEGylation technology have received regulatory approval in the U.S. or Europe. There are also a number of other candidates that have been filed for approval or are in various stages of clinical development. These collaborations generally contain one or more elements including a license to our intellectual property rights and manufacturing and supply agreements under which we may receive manufacturing revenue, milestone payments, and/or royalties on commercial sales of drug products.

Drug	Primary or Target Indications	Drug Marketer/Partner	Status(1)
NKTR-358	Autoimmune disease	Eli Lilly and Company	Phase 1, Phase 2
ADYNOVATE® and ADYNOVI® (brand name for ADYNOVATE® in Europe)	Hemophilia A	Takeda Pharmaceutical Company Limited	Approved 2015*
MOVANTIK® (naloxegol tablets) and MOVENTIG® (brand name for MOVANTIK® in Europe)	Opioid-induced constipation in adult patients with chronic non-cancer pain (US); Opioid-induced constipation in adult patients who have and inadequate response to laxatives (EU).	AstraZeneca AB	Approved 2014*
CIMZIA® (certolizumab pegol)	Crohn's disease, Rheumatoid arthritis, and Psoriasis/ Ankylosing Spondylitis	UCB Pharma	Approved 2008**
MIRCERA® (C.E.R.A.) (Continuous Erythropoietin Receptor Activator)	Anemia associated with chronic kidney disease in patients on dialysis and patients not on dialysis	F. Hoffmann-La Roche Ltd	Approved 2007**
Macugen® (pegaptanib sodium injection)	Age-related macular degeneration	Bausch Health Companies Inc. (formerly, Valeant Pharmaceuticals International, Inc.)	Approved 2004
Somavert® (pegvisomant)	Acromegaly	Pfizer Inc.	Approved 2003
Neulasta® (pegfilgrastim)	Neutropenia	Amgen Inc.	Approved 2002
Dapirolizumab Pegol	Systemic Lupus Erythematosus	UCB Pharma (Biogen)	Phase 3

(1) Status definitions are:

Approved — regulatory approval to market and sell product obtained in one or more of the U.S., EU or other countries. Year indicates first regulatory approval.
Filed — an application for approval and marketing has been filed with the applicable government health authority.
Phase 3 or Pivotal — drug candidate in large-scale clinical trials conducted to obtain regulatory approval to market and sell the drug (these trials are typically initiated following encouraging Phase 2 trial results).
Phase 2 — a drug candidate in clinical trials to establish dosing and efficacy in patients.
Phase 1 — a drug candidate in clinical trials, typically in healthy subjects, to test safety.
Research/Preclinical — a drug candidate is being studied in research by way of in vitro studies and/or animal studies.

* In December 2020, pursuant to a purchase and sale agreement (the "2020 Purchase and Sale Agreement") we sold our rights to receive royalties on future worldwide new sales of ADYNOVATE®/ADYNOVI® and MOVANTIK®/MOVANTIG® (as well as REBINYN® and specified licensed products under a Right to Sublicense Agreement, dated October 27, 2017) from and after October 1, 2020 until the purchaser of these rights has received payments equal to $210.0 million (the "2025 Threshold"), if the 2025 Threshold is achieved on or prior to December 31, 2025, or $240.0 million, if the 2025 Threshold is not achieved on or prior to December 31, 2025 (or, if earlier, the date on which the last royalty payment under the relevant license agreements is made). All rights to receive royalties will return to Nektar once the 2020 Purchase and Sale Agreement expires.

** In February 2012, we sold our rights to receive royalties on future worldwide net sales of CIMZIA® and MIRCERA® effective as of January 1, 2012.

With respect to all of our collaboration and license agreements with third parties, please refer to Item 1A. Risk Factors, including without limitation, "We are a party to numerous collaboration agreements and other significant agreements which contain complex commercial terms that could result in disputes, litigation or indemnification liability that could adversely affect our business, results of operations and financial condition" and "We are involved in legal proceedings and may incur substantial litigation costs and liabilities that will adversely affect our business, financial condition and results of operations."

Overview of Collaboration Partner Programs

We have a number of drug candidates in clinical development and approved products in collaboration with our partners where we invented the drug candidate or where our collaboration partners have licensed our proprietary intellectual property to enable one of their drug candidates. Our agreements with collaboration partners may involve several elements including an intellectual property license as well as the development, commercialization, and manufacturing and supply obligations. We typically receive consideration from our collaboration partners in the form of upfront payments, milestone payments and royalties on sales. In certain cases, we also manufacture and supply our proprietary polymer materials to our partners.

NKTR-358, Agreement with Eli Lilly and Company

NKTR-358 is designed to correct the underlying immune system imbalance in the body which occurs in patients with autoimmune disease. Current systemic treatments for autoimmune disease, including corticosteroids and anti-TNF agents, suppress the immune system broadly and come with severe side effects. NKTR-358 targets the CD25 sub-receptor in the IL-2 pathway in order to stimulate proliferation and growth of regulatory T cells, which are specific immune cells in the body that modulate the immune system and prevent autoimmune disease by maintaining self-tolerance.

On July 23, 2017, we entered into the Lilly Agreement, pursuant to which we and Lilly will co-develop NKTR-358. Under the terms of the Lilly Agreement, we received an initial payment of $150.0 million in September 2017 and are eligible for up to $250.0 million in additional development and regulatory milestones. We have completed our Phase 1 clinical development and certain drug product development and drug supply responsibilities assigned to us under the Lilly Agreement. We will share Phase 2 development costs with Lilly, with Lilly responsible for 75% and Nektar responsible for 25% of these costs. We will also have the option to contribute funding to Phase 3 development on an indication-by-indication basis, ranging from zero to 25% of the global Phase 3 development costs. We are eligible to receive up to double-digit sales royalty rates that escalate based upon our contribution to Phase 3 development costs and the level of global product annual sales. Lilly will be responsible for all costs of global commercialization and we will have an option to co-promote in the U.S. under certain conditions.

We have completed the first Phase 1 dose-finding trial of NKTR-358 to evaluate single-ascending doses of NKTR-358 in approximately 100 healthy subjects. Results from this study demonstrated a multiple-fold increase in regulatory T cells with no change in CD8 positive or natural killer cell levels and no dose-limiting toxicities were observed. We also completed treatment of a Phase 1 multiple-ascending dose trial to evaluate NKTR-358 in patients with SLE. Lilly has completed a single-ascending dose study of NKTR-358 in Japanese and Caucasian healthy subjects, and is conducting two Phase 2 studies of

NKTR-358 in patients with SLE and ulcerative colitis as well as two Phase 1b studies in patients with psoriasis and atopic dermatitis.

ADYNOVATE® (previously referred to as BAX 855), ADYNOVI® (brand name for ADYNOVATE® in Europe) and Longer-Acting Blood Clotting Proteins for Hemophilia A, Agreement with Subsidiaries of Baxalta Incorporated

In September 2005, we entered into an exclusive research, development, license, manufacturing and supply agreement (Baxalta License Agreement) with certain subsidiaries of Baxalta (which has been acquired by Takeda), to develop products with an extended half-life for the treatment and prophylaxis of Hemophilia A patients using our proprietary PEGylation technology. The first product in this collaboration, ADYNOVATE® (previously referred to as BAX 855), is a longer-acting (PEGylated) form of a full-length recombinant factor VIII (rFVIII) protein that was developed to increase the half-life of ADVATE® (Antihemophilic Factor (Recombinant) Plasma/Albumin-Free Method). ADYNOVATE® was first approved by the FDA on November 30, 2015. Since then it has been approved in one or more indications for Hemophilia A in the EU, Japan, and other countries around the world.

We are entitled to $35.0 million of sales milestone payments, as well as royalties on net sales varying by product and country of sale. With regard to the sales milestone payments, we received a $10.0 million dollar milestone payment in 2019 for annual net sales in 2018 achieving the sales milestone specified in the Baxalta License Agreement for this payment. With regard to royalties, our royalties start in the mid-single digits for net sales of ADYNOVATE® up to $1.2 billion and then in the low teens for net sales exceeding $1.2 billion. Our right to receive these royalties in any particular country will expire upon the later of ten years after the first commercial sale of the product in that country or the expiration of patent rights in certain designated countries or in that particular country.

In October 2017, we entered into a right to sublicense agreement with Baxalta, under which we granted to Baxalta the right to grant a nonexclusive sublicense to certain patents to a third party that were previously exclusively licensed to Baxalta under the Baxalta License Agreement. Under the right to sublicense agreement, Baxalta paid us $12.0 million in November 2017 and agreed to pay us single digit royalty payments based upon net sales of the third party products covered under the sublicense throughout the term of the right to sublicense agreement.

In December 2020, pursuant to the 2020 Purchase and Sale Agreement we sold our rights to receive royalties on future worldwide new sales of ADYNOVATE®/ADYNOVI® and from the third party products under the right to sublicense agreement from and after October 1, 2020 until the purchaser of these rights has received payments equal to $210.0 million (the “2025 Threshold”), if the 2025 Threshold is achieved on or prior to December 31, 2025, or $240.0 million, if the 2025 Threshold is not achieved on or prior to December 31, 2025 (or, if earlier, the date on which the last royalty payment under the relevant license agreements is made). All rights to receive royalties will return to Nektar once the 2020 Purchase and Sale Agreement expires. This 2020 Purchase and Sale Agreement is further discussed in Note 7 of our Consolidated Financial Statements.

Hemophilia A, also called factor VIII (FVIII) deficiency or classic hemophilia, is a genetic disorder caused by missing or defective factor VIII, a clotting protein. According to the US Centers for Disease Control and Prevention, hemophilia occurs in approximately one in 5,000 live births and there are about 20,000 people with hemophilia in the US. All races and ethnic groups are affected. Hemophilia A is four times as common as Hemophilia B while more than half of patients with Hemophilia A have the severe form of hemophilia. According to 360 Research Reports, the worldwide market for human coagulation Factor VIII products was $7.4 billion in 2019.

MOVANTIK® and MOVENTIG® (brand name for MOVANTIK® in Europe), Agreement with AstraZeneca AB

In September 2009, we entered into a global license agreement with AstraZeneca AB (AstraZeneca) pursuant to which we granted AstraZeneca a worldwide, exclusive, perpetual, royalty-bearing license under our patents and other intellectual property to develop, market and sell MOVANTIK®. MOVANTIK® was developed using our oral small molecule polymer conjugate technology and we advanced this drug through the completion of Phase 2 clinical studies prior to licensing it to AstraZeneca. MOVANTIK® is an orally-available peripherally-acting mu-opioid antagonist which is a medication for the treatment of opioid-induced constipation (OIC), which is a common side effect of prescription opioid medications. Opioids attach to specific proteins called opioid receptors. When the opioids attach to certain opioid receptors in the gastrointestinal tract, constipation may occur.

On September 16, 2014, the FDA approved MOVANTIK® as the first once-daily oral peripherally-acting mu-opioid receptor antagonist (PAMORA) medication for the treatment of OIC in adult patients with chronic, non-cancer pain. On

December 9, 2014, the European Commission, or EC, granted Marketing Authorisation to MOVENTIG® (the naloxegol brand name in the EU) as the first once-daily oral PAMORA to be approved in the EU for the treatment of OIC in adult patients who have had an inadequate response to laxative(s). The EC's approval applies to all EU member countries plus Iceland and Norway. AstraZeneca launched the commercial sales of MOVANTIK® in the U.S. in March 2015 and MOVENTIG® in Germany, the first EU member country, in August 2015. Under the terms of our license agreement with AstraZeneca, AstraZeneca made an initial license payment of $125.0 million to us and has responsibility for all activities and bears all costs associated with research, development and commercialization for MOVANTIK®. We received milestone payments of $70.0 million and $25.0 million upon the acceptance of regulatory approval applications of MOVANTIK® by the FDA and the EMA, respectively, in 2013. We received an additional developmental milestone payment of $35.0 million upon the FDA's approval of MOVANTIK® in 2014 and a total of $140.0 million upon commercial launches in 2015, including $100.0 million for MOVANTIK® in the U.S. and $40.0 million for MOVENTIG® in Germany. We are also entitled to up to $375.0 million in sales milestones for MOVANTIK® if the program achieves certain annual commercial sales levels and significant double-digit royalty payments starting at 20% of net sales in the U.S. and, for countries AstraZeneca has not entered into sublicensing agreements, 18% of net sales in rest of world. On March 1, 2016, AstraZeneca announced that it had entered into an agreement with Kyowa Hakko Kirin Co. Ltd. (Kirin), granting Kirin exclusive marketing rights to MOVENTIG® in the EU, Iceland, Liechtenstein, Norway and Switzerland. Nektar's receipt of a 40% share of royalty payments made by Kirin to AstraZeneca will be financially equivalent to Nektar receiving high single-digit to low double-digit royalties depending on Kirin's annual net sales levels. Our right to receive royalties (subject to certain adjustments) in any particular country will expire upon the later of (a) a specified period of time after the first commercial sale of the product in that country or (b) the expiration of patent rights in that particular country. In December 2020, pursuant to the 2020 Purchase and Sale Agreement, we sold our rights to receive royalties on future worldwide new sales of MOVANTIK®/MOVANTIG® from and after October 1, 2020 until the purchaser of these rights has received payments equal to $210.0 million (the "2025 Threshold"), if the 2025 Threshold is achieved on or prior to December 31, 2025, or $240.0 million, if the 2025 Threshold is not achieved on or prior to December 31, 2025 (or, if earlier, the date on which the last royalty payment under the relevant license agreements is made). All rights to receive royalties will return to Nektar once the 2020 Purchase and Sale Agreement expires. This 2020 Purchase and Sale Agreement is further discussed in Note 7 of our Consolidated Financial Statements. AstraZeneca has agreed to use commercially reasonable efforts to develop one MOVANTIK® fixed-dose combination product and has the right to develop multiple products which combine MOVANTIK® with opioids.

There are a number of patents relevant to MOVANTIK®, some of which are listed in the FDA's "Orange Book." The "Orange Book" currently lists six patents for MOVANTIK®. Four patents (i.e., U.S. Patent Nos. 7,056,500, 7,662,365, 7,786,133 and 9,012,469) are "composition of matter patents," one of which has a patent expiry extending into 2032. In addition, two patents (i.e., U.S. Patent Nos. 8,067,431 and 8,617,530) are directed to methods of treatment.

CIMZIA®, Agreement with UCB

In December 2000, we entered into a license, manufacturing and supply agreement covering our proprietary PEGylation materials for use in CIMZIA® (certolizumab pegol) with Celltech Chiroscience Ltd., which was acquired by UCB in 2004. Under the terms of the agreement, UCB is responsible for all clinical development, regulatory, and commercialization expenses. We also manufacture and supply UCB with our proprietary PEGylation reagent used in the manufacture of CIMZIA® on a fixed price per gram. We were also entitled to receive royalties on net sales of the CIMZIA® product for the longer of ten years from the first commercial sale of the product anywhere in the world or the expiration of patent rights in a particular country. In February 2012, we sold our rights to receive royalties on all future worldwide net sales of CIMZIA® effective as of January 1, 2012 until the agreement with UCB is terminated or expires. This sale is further discussed in Note 7 of our Consolidated Financial Statements. Our agreement with UCB Pharma expires upon the expiration of all of UCB's royalty obligations, provided that the agreement can be extended for successive two year renewal periods upon mutual agreement of the parties. In addition, UCB may terminate the agreement should it cease the development and marketing of CIMZIA® and either party may terminate for cause under certain conditions.

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

In December 2000, we entered into a license, manufacturing and supply agreement with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (Roche), which was amended and restated in its entirety in December 2005. Pursuant to the agreement, we license our intellectual property related to our proprietary PEGylation materials for the manufacture and commercialization of Roche's MIRCERA® product. MIRCERA® is a novel continuous erythropoietin receptor activator indicated for the treatment of anemia associated with chronic kidney disease in patients on dialysis and patients not on dialysis. As of the end of 2006, we were no longer required to manufacture and supply our proprietary PEGylation materials for MIRCERA® under our original agreement. In February 2012, we entered into a toll-manufacturing agreement with Roche under

which we manufactured our 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 through December 31, 2016. Under the terms of this agreement, Roche paid us an up-front payment of $5.0 million plus a total of $22.0 million in performance-based milestone payments upon our achievement of certain manufacturing readiness, validation and production milestones, including the delivery of specified quantities of PEGylation materials, all of which were successfully completed by the end of January 2013. In 2013, we delivered additional quantities of PEGylation materials used by Roche to produce PEGASYS® and MIRCERA® for total consideration of approximately $18.6 million. We were also entitled to receive royalties on net sales of the MIRCERA® product. In February 2012, we sold all of our future rights to receive royalties on future worldwide net sales of MIRCERA® effective as of January 1, 2012. This sale is further discussed in Note 7 of our Consolidated Financial Statements. As of December 31, 2016, we no longer had any continuing manufacturing or supply obligations under this MIRCERA® agreement.

Macugen®, Agreement with Bausch Health Companies Inc., formerly Valeant Pharmaceuticals International, Inc.

In 2002, we entered into a license, manufacturing and supply agreement with Eyetech, Inc. (subsequently acquired by Valeant Pharmaceuticals International, Inc. or Valeant), pursuant to which we license certain intellectual property related to our proprietary PEGylation technology for the development and commercialization of Macugen®, a PEGylated anti-vascular endothelial growth factor aptamer currently approved in the U.S. and EU for age-related macular degeneration. Under the terms of the agreement, we will receive royalties on net product sales in any particular country for the longer of ten years from the date of the first commercial sale of the product in that country or the duration of patent coverage. Our agreement with Valeant expires upon the expiration of our last relevant patent containing a valid claim. In addition, Valeant may terminate the agreement if marketing authorization is withdrawn or marketing is no longer feasible due to certain circumstances, and either party may terminate for cause if certain conditions are met.

Somavert®, Agreement with Pfizer, Inc.

In January 2000, we entered into a license, manufacturing and supply agreement (LMS Agreement) with Sensus Drug Development Corporation (subsequently acquired by Pharmacia Corp. in 2001 and then acquired by Pfizer in 2003), for the PEGylation of Somavert® (pegvisomant), a human growth hormone receptor antagonist for the treatment of acromegaly. In January 2017, we entered into a master material supply agreement (Supply Agreement) with Pfizer, in which the LMS Agreement was terminated. We currently manufacture our proprietary PEGylation reagent for Pfizer on a price per gram basis under the Supply Agreement. Our obligation under the Supply Agreement to supply our proprietary PEGylation reagent to Pfizer continues until December 31, 2023.

Neulasta®, Agreement with Amgen, Inc.

In July 1995, we entered into a non-exclusive supply and license agreement (the 1995 Agreement) with Amgen, Inc., pursuant to which we licensed our proprietary PEGylation technology to be used in the development and manufacture of Neulasta®. Neulasta® selectively stimulates the production of neutrophils that are depleted by cytotoxic chemotherapy, a condition called neutropenia that makes it more difficult for the body to fight infections. On October 29, 2010, we amended and restated the 1995 Agreement by entering into a supply, dedicated suite and manufacturing guarantee agreement (the 2010 Agreement) and an amended and restated license agreement with Amgen Inc. and Amgen Manufacturing, Limited (together referred to as Amgen). Under the terms of the 2010 Agreement, we received a $50.0 million upfront payment in return for guaranteeing supply of certain quantities of Polymer Materials to Amgen. According to its terms, the 2010 Agreement expired on October 29, 2020.

Dapirolizumab Pegol, Agreement with UCB Pharma S.A.

In 2010, we entered into a license, manufacturing and supply agreement with UCB Pharma S.A., (UCB) under which we granted UCB a worldwide, exclusive license to certain of our proprietary PEGylation technology to develop, manufacture and commercialize an anti-CD40L PEGylated Fab being developed by UCB and their partner Biogen Idec, for the treatment of autoimmune disorders, including systemic lupus erythemastosus (SLE). In 2014, UCB and Biogen completed a Phase 1b randomized, double-blind, placebo-controlled clinical study in approximately 24 patients with SLE. Data from the study was published in September 2015 at the Annual American College of Rheumatology Meeting and showed that multiple administrations of dapirolizumab pegol given over 12 weeks were generally well-tolerated and the safety profile supported further development of the compound. Exploratory analyses from the same study showed greater improvement in clinical measures of disease activity in the dapriolizumab pegol group versus placebo. In 2016, UCB initiated a multi-center, randomized, double-blind, placebo-controlled, parallel-group, dose-ranging Phase 2 clinical study followed by an observational period to evaluate the efficacy and safety of patients with moderately to severely active SLE receiving stable standard of care

medications. In October 2018, UCB announced that the primary endpoint of the study to demonstrate a dose response at 24 weeks on the British Isles Lupus Assessment Group (BILAG) based Composite Lupus Assessment (BICLA) was not met and stated that it and Biogen will continue to further evaluate these data while assessing potential next steps. In July 2019, Biogen announced a plan to initiate with UCB a Phase 3 study of dapriolizumab pegol in patients with active SLE, which clinical study is currently ongoing.

Government Regulation

Product Development and Approval Process

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

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

- extensive preclinical laboratory and animal testing;
- submission of an Investigational New Drug (IND) prior to commencing clinical trials;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for the intended indication;
- extensive pharmaceutical development for the characterization of the chemistry, manufacturing process and controls for the active ingredient and drug product; and
- submission to the FDA of a New Drug Application (NDA) for approval of a drug or a Biological License Application (BLA) for approval of a biological product.

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

Preclinical tests include laboratory evaluation of product chemistry and animal studies to assess the safety and efficacy of the product and its chosen formulation. Preclinical safety tests must be conducted by laboratories that comply with FDA good laboratory practices (GLP) regulations. The results of the preclinical tests for drugs, biological products and combination products subject to the primary jurisdiction of the FDA's Center for Drug Evaluation and Research (CDER) or Center for Biologics Evaluation and Research (CBER) are submitted to the FDA as part of the IND and are reviewed by the FDA before clinical trials can begin. Clinical trials may begin 30 days after receipt of the IND by the FDA, unless the FDA raises objections or requires clarification within that period. Clinical trials involve the administration of the drug to healthy volunteers or patients under the supervision of a qualified, identified medical investigator according to a protocol submitted in the IND for FDA review. Drug products to be used in clinical trials must be manufactured according to current good manufacturing practices (cGMP). Clinical trials are conducted in accordance with protocols that detail the objectives of the study and the parameters to be used to monitor participant safety and product efficacy as well as other criteria to be evaluated in the study. Each protocol is submitted to the FDA in the IND.

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

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

- determine the preliminary efficacy of the product for specific targeted indications;

- determine dosage and regimen of administration; and
- identify possible adverse effects and safety risks.

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

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

Each manufacturing establishment producing the active pharmaceutical ingredient and finished drug product for the U.S. market must be registered with the FDA and typically is inspected by the FDA prior to NDA or BLA approval of a drug product manufactured by such establishment. Such inspections are also held periodically after commercialization. Manufacturing establishments of U.S. marketed products are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements. They are also subject to U.S. federal, state, and local regulations regarding workplace safety, environmental protection and hazardous controls, among others.

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

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

In the U.S., the FDA may grant Fast Track or Breakthrough Therapy designation to a drug candidate, which allows the FDA to expedite the review of new drugs that are intended for serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. Important features of Fast Track or Breakthrough Therapy designation include a potentially reduced clinical program and close, early communication between the FDA and the sponsor company to improve the efficiency of product development. On August 1, 2019, we and BMS announced that the FDA granted Breakthrough Therapy designation for bempegaldesleukin in combination with Opdivo® for the treatment of patients with previously untreated unresectable or metastatic melanoma.

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

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

Coverage, Reimbursement, and Pricing

Sales of any products for which we may obtain regulatory approval depend, in part, on the coverage and reimbursement status of those products. In the U.S., sales of any products for which we may receive regulatory approval for commercial sale will depend in part on the availability of coverage and reimbursement from third-party payers. Third-party payers include government programs such as Medicare, Medicaid, TRICARE and the Veterans Administration, as well as managed care providers, private health insurers and other organizations. Other countries and jurisdictions will also have their own unique mechanisms for approval and reimbursement.

The process for determining whether a payer will provide coverage for a product is typically separate from the process for setting the reimbursement rate that the payer will pay for the product. Third-party payers may limit coverage to specific products on an approved list or formulary which might not include all of the FDA-approved products for a particular indication. Third-party payers may also refuse to include a particular branded drug on their formularies or otherwise restrict patient access to a branded drug when a less costly generic equivalent or other alternative is available. Further, private payers often follow the coverage and payment policies established by certain government programs, such as Medicare and Medicaid, which require manufacturers to comply with certain rebate, price reporting, and other obligations. For example, the Medicaid Drug Rebate Program, which is part of the Medicaid program (a program for financially needy patients, among others), requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services under which the manufacturer agrees to report certain prices to the government and pay rebates to state Medicaid programs on outpatient drugs furnished to Medicaid patients, as a condition for receiving federal reimbursement for the manufacturer’s outpatient drugs furnished to Medicaid patients. Further, in order for a pharmaceutical product to receive federal reimbursement under Medicare Part B and Medicaid programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the Public Health Service’s 340B drug pricing program.

Third-party payers are increasingly challenging the prices charged for medical products and services, and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. Additionally, the containment of healthcare costs has become a priority of federal and state governments, and the price of therapeutics have been a focus in this effort. The U.S. government and state legislatures have shown significant interest in implementing cost-containment programs, including price controls and restrictions on reimbursement, among other controls. Adoption of price controls or other cost-containment measures could limit coverage for or the amounts that federal and state governments or private payers will pay for health care products and services, which could also result in reduced demand for our drug candidates or additional pricing pressures and affect our ultimate profitability, if approved. If third-party payers do not consider a product to be cost-effective compared to other available therapies, they may not cover an approved product or, if they do, the level of payment may not be sufficient to allow us to sell our products at a profit.

The marketability of any products for which we receive regulatory approval for commercial sale may suffer if the government and third-party payers fail to provide adequate coverage and reimbursement. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Other Healthcare Laws and Regulations

If we obtain regulatory approval of our products, we may be subject to various federal and state laws targeting fraud and abuse in the healthcare industry. These laws may impact, among other things, our proposed sales and marketing programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering, or paying remuneration (a term interpreted broadly to include anything of value, including, for example, gifts, discounts, and credits), directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order, or recommendation of, an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;

- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment to Medicare, Medicaid, or other third-party payers that are false or fraudulent, or making a false statement or record material to payment of a false claim or avoiding, decreasing, or concealing an obligation to pay money owed to the federal government;
- provisions of the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes, referred to as the "HIPAA All-payer Fraud Prohibition," that prohibit knowingly and willfully executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- federal transparency laws, including the federal Physician Payment Sunshine Act, which require manufacturers of certain drugs and biologics to track and disclose payments and other transfers of value they make to U.S. physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals as well as physician ownership and investment interests in the manufacturer, and that such information is subsequently made publicly available in a searchable format on a CMS website. Effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners;
- provisions of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, state transparency reporting and compliance laws; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and which may not have the same effect, thus complicating compliance efforts.

If our drug candidates become commercialized, it is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal, and administrative penalties, damages, fines, disgorgement, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, integrity and oversight agreements to resolve allegations of non-compliance, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

The Patient Protection and Affordable Care Act, as amended by the Health Care Education Reconciliation Act (collectively, the Affordable Care Act), enacted in 2010, expanded the reach of the fraud and abuse laws by, among other things, amending the intent requirement of the federal Anti-Kickback Statute and the applicable criminal fraud statutes contained within 42 U.S.C. § 1320a-7b. Pursuant to the Affordable Care Act, a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the Affordable Care Act provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute. Many states have adopted laws similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.

The federal False Claims Act prohibits anyone from, among other things, knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services that are false or fraudulent. Although we would not submit claims directly to payers, manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state, and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under this law. For example, pharmaceutical companies have been prosecuted under the federal False Claims Act in connection with their alleged off-label promotion of drugs, purportedly concealing price concessions in the pricing information submitted to the government for government price reporting purposes, and allegedly providing free product to customers with the expectation that the customers would bill federal health care programs for the product. Penalties for a

False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between $11,463 and $23,331 for each separate false claim, the potential for exclusion from participation in federal healthcare programs, and, although the federal False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes. In addition, private individuals have the ability to bring actions under the federal False Claims Act and certain states have enacted laws modeled after the federal False Claims Act.

In each country or jurisdiction outside of the U.S. in which we seek and receive regulatory approval to commercialize our products, we will be subject to additional laws and regulations specific to those locations. These regulations and laws will also impact, among other things, our proposed sales and marketing programs in those jurisdictions.

Legislative and Regulatory Landscape

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the testing, approval, manufacturing, marketing, coverage and reimbursement of products regulated by the FDA or other government agencies. In addition to new legislation, FDA and healthcare fraud and abuse and coverage and reimbursement regulations and policies are often revised or interpreted by the agency in ways that may significantly affect our business and our products. Further, the 2020 Presidential and Congressional elections and political developments have caused the future state of many core aspects of the current health care marketplace to be uncertain. While specific changes and their timing are not yet apparent, there may be significant changes to the healthcare environment in the future that could have an adverse effect on anticipated revenues from therapeutic candidates that we may successfully develop and for which we may obtain regulatory approval. Furthermore, federal agencies, Congress, state legislatures, and the private sector have shown significant interest in implementing cost containment programs to limit the growth of health care costs, including price controls, restrictions on reimbursement and other fundamental changes to the healthcare delivery system. Any proposed or actual changes could limit coverage for or the amounts that federal and state governments will pay for health care products and services, which could also result in reduced demand for our products or additional pricing pressures and affect our ultimate profitability.

Patents and Proprietary Rights

We own more than 300 U.S. and 1,050 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 advanced polymer conjugate technologies and our proprietary drug candidates. More specifically, our patents and patent applications cover polymer architecture, drug conjugates, formulations, methods of making polymers and polymer conjugates, methods of administering polymer conjugates, and methods of manufacturing polymers and polymer conjugates. Our patent portfolio contains patents and patent applications that encompass our advanced polymer conjugate technology platforms. Our patent strategy is to file patent applications on innovations and improvements to cover a significant majority of the major pharmaceutical markets in the world. Generally, patents have a term of twenty years from the earliest priority date (assuming all maintenance fees are paid). In some instances, patent terms can be increased or decreased, depending on the laws and regulations of the country or jurisdiction that issued the patent.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that we can meaningfully protect our trade secrets. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to, or disclose, our trade secrets. Please refer to Item 1A. Risk Factors, including but not limited to “We rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, and any loss of such rights could harm our business, results of operations and financial condition.” In certain situations in which we work with drugs covered by one or more patents, our ability to develop and commercialize our technologies may be affected by limitations in our access to these proprietary drugs. Even if we believe we are free to work with a proprietary drug, we cannot guarantee that we will not be accused of, or determined to be, infringing a third party’s rights and be prohibited from working with the drug or found liable for damages. Any such restriction on access or liability for damages would have a material adverse effect on our business, results of operations and financial condition.

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to *inter partes* review, opposition, reexamination or other proceedings that can result in the revocation of the patent or maintenance of the patent but in an amended form (and potentially in a form that renders the patent without commercially relevant or broad coverage). Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a

short period of protection, if any, following the commercialization of products encompassed by our patent. We may have to participate in post-grant proceedings before the U.S. Patent and Trademark Office, which could result in a loss of the patent and/or substantial cost to us. Please refer to Item 1A. Risk Factors, including without limitation, "If any of our pending patent applications do not issue, or are deemed invalid following issuance, we may lose valuable intellectual property protection."

U.S. and foreign patent rights and other proprietary rights exist that are owned by third parties and relate to pharmaceutical compositions and reagents, and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, of these rights will be considered relevant to our technology by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. We could incur substantial costs in defending ourselves and our partners against any such claims. Furthermore, parties making such claims may be able to obtain injunctive or other equitable relief, which could effectively block our ability to develop or commercialize some or all of our products in the U.S. and abroad and could result in the award of substantial damages. In the event of a claim of infringement, we or our partners may be required to obtain one or more licenses from third parties. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternative technology. The failure to obtain licenses if needed may have a material adverse effect on our business, results of operations and financial condition. Please refer to Item 1A. Risk Factors, including without limitation, "We may not be able to obtain intellectual property licenses related to the development of our drug candidates on a commercially reasonable basis, if at all."

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

Customer Concentrations

Our revenue is derived from our collaboration agreements with partners, under which we may receive a combination of revenue elements including up-front payments for licensing agreements, clinical research reimbursement or co-funding, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties and/or product sales revenue. Our revenues are concentrated among a limited number of collaboration partners under long-term arrangements. In particular, our collaboration arrangements with BMS represent 89% of our revenues for the year ended December 31, 2018, and Lilly represented 42% of our revenues for the year ended December 31, 2017, and these arrangements provide for the most significant portion of our potential future development and regulatory milestone payments. The relative portion of such revenues in any particular year, however, is dependent upon the mix of any milestone payments or other license revenues recognized and volume of recurring royalty revenues and product sales. Additionally, for the majority of 2020, we derived substantially all of our cash royalty revenue from our collaboration arrangements with Takeda for ADYNOVATE®/ADYNOVI® and AstraZeneca for MOVANTIK®/MOVENTIG®, and we derive the significant majority of our product sales from UCB and Pfizer.

Backlog

Pursuant to our collaboration agreements, we manufacture and supply our proprietary polymer conjugation materials. Inventory is produced and sales are made pursuant to customer purchase orders for delivery generally based on rolling four to eight quarter forecasts, of which at least two quarters are generally binding. Our backlog is not significant, and, in light of industry practice and our own experience, we do not believe that backlog as of any particular date is indicative of future results.

Competition

Competition in the pharmaceutical and biotechnology industry is intense and characterized by aggressive research and development and rapidly-evolving science, technology, and standards of medical care throughout the world. We frequently compete with pharmaceutical companies and other institutions with greater financial, research and development, marketing and sales, manufacturing and managerial capabilities. We face competition from these companies not just in product development but also in areas such as recruiting employees, acquiring technologies that might enhance our ability to commercialize products, establishing relationships with certain research and academic institutions, enrolling patients in clinical trials and seeking program partnerships and collaborations with larger pharmaceutical companies.

Science and Technology Competition

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

In the fields of advanced polymer conjugate technologies, our competitors include Biogen Idec Inc., Horizon Pharma, Dr. Reddy's Laboratories, Ltd., Mountain View Pharmaceuticals, Inc., SunBio Corporation, NOF Corporation, and Novo Nordisk A/S (assets formerly held by Neose Technologies, Inc.). Several other chemical, biotechnology and pharmaceutical companies may also be developing advanced polymer conjugate technology or technologies intended to deliver similar scientific and medical benefits. Some of these companies license intellectual property or PEGylation materials to other companies, while others apply the technology to create their own drug candidates.

Product and Program Specific Competition

Bempegaldesleukin

There are numerous companies engaged in developing immunotherapies to be used alone, or in combination, to treat a wide range of oncology indications targeting both solid and liquid tumors. In particular, we expect to compete with therapies with tumor infiltrating lymphocytes, or TILs, chimeric antigen receptor-expressing T cells, or CAR-T, cytokine-based therapies, and checkpoint inhibitors. Potential competitors in the TIL and CAR-T space include Gilead (through its acquisition of Kite Pharma)/NCI, Apeiron Biologics, Philogen S.p.A., Brooklyn ImmunoTherapetuics LLC, Anaveon AG, Adaptimmune LLC, and Iovance Biotherapeutics, Inc. In the cytokine-based therapies space, potential competitors include Novartis AG, Alkermes PLC, NantWorks LLC, Eli Lilly & Co. (through its acquisition of Armo Biosciences), Roche, and Sanofi SA (through its acquisition of Synthorx, Inc.), and in the checkpoint inhibitor space potential competitors include Tesaro, Inc., Macrogenics, Inc., Merck, Bristol-Myers Squibb, and Roche.

NKTR-358

There are a number of competitors in various stages of clinical development that are working on programs which are designed to correct the underlying immune system imbalance in the body due to autoimmune disease. In particular, we expect to compete with therapies that could be cytokine-based therapies (Symbiotix, LLC, Jassen Pharmaceuticals, AstraZeneca and Tizona Therapeutics), regulatory T cell therapies (Targazyme, Inc., Caladrius BioSciences, Inc., and Tract Therapeutics, Inc.), or IL-2 based therapies (Amgen, Inc., BMS (through its acquisition of Delnia, Inc.), ILTOO Pharma, and Sanofi SA, through its acquisition of Synthorx, Inc.).

NKTR-255

There are numerous companies engaged in developing immunotherapies with different approaches to enhancing NK cell populations which are a key component of the innate immune system. The approaches include engineered biologics targeting the IL-15 pathway as well as autologous and allogenic cell therapy approaches. For NKTR-255, we believe companies that are currently researching and developing engineered IL-15 biologics and cell therapies that could compete with this drug candidate include Artiva Biotherapeutics, Fate Therapeutics, ImmunityBio, Inc., nkarta therapeutics, NKMax America, and Roche/Genentech (through its partnership with Xencor, Inc.).

MOVANTIK®

There are no other once-daily oral drugs that act specifically to block or reverse the action of opioids on receptors in the gastrointestinal tract which are approved specifically for the treatment of opioid-induced constipation (OIC) or opioid bowel dysfunction (OBD) in patients with chronic, non-cancer pain. The only approved oral treatment for opioid-induced constipation in adults with chronic, non-cancer pain is a twice daily oral therapy called AMITIZA® (lubiprostone), which acts by specifically activating CIC-2 chloride channels in the gastrointestinal tract to increase secretions. AMITIZA® is marketed by Mallincrodt Pharmaceuticals and Takeda. There is also a subcutaneous treatment and an oral treatment known as RELISTOR® which is marketed by Bausch Health Companies Inc. (formerly, Valeant Pharmaceuticals International, Inc., which previously acquired Salix) under a license from Progenics Pharmaceuticals, Inc. In 2014, RELISTOR® Subjectaneous Injection was approved by the

FDA for adult patients with chronic non-cancer pain. On July 22, 2016, Relistor (methylnaltrexone bromide) oral tablets for the treatment of OCI in adult patients with chronic non-cancer pain was approved by FDA. Other therapies used to treat OIC and OBD include over-the-counter laxatives and stool softeners, such as docusate sodium, senna, and milk of magnesia. These therapies do not address the underlying cause of constipation as a result of opioid use and are generally viewed as ineffective or only partially effective to treat the symptoms of OIC and OBD.

There are a number of companies developing potential products which are in various stages of clinical development and are being evaluated for the treatment of OIC and OBD in different patient populations. Potential competitors include Merck, GlaxoSmithKline plc, Ironwood Pharmaceuticals, Inc. in collaboration with Actavis plc (acquired by Teva Pharmaceutical Industries Ltd.), Purdue Pharma L.P. in collaboration with Shionogi & Co., Ltd., Mundipharma Int. Limited, Theravance, Inc., Develco Pharma, Mallincrodt Pharmaceuticals, and Takeda.

ADYNOVATE®

On June 6, 2014, the FDA approved Biogen Idec's ELOCTATE™ [antihemophilic factor (recombinant), Fc fusion protein] for the control and prevention of bleeding episodes, perioperative (surgical) management and routine prophylaxis in adults and children with Hemophilia A. ELOCTATE™ is intended to be an extended half-life Factor VIII therapy with prolonged circulation in the body with the potential to extend the interval between prophylactic infusions. Prior to its 2014 approval, the fusion protein in ELOCTATE™ was not used outside of the clinical trial setting for Hemophilia A patients. On August 31, 2018, Bayer Healthcare received FDA approval for JIVI® (antihemophilic factor (recombinant) PEGylated-aucl), an extended half-life Factor VIII for Hemophilia A treatment in patients 12 and older which became commercially available in the third quarter of 2018. In addition, on February 19, 2019, Novo Nordisk received FDA approval for ESPEROCT® [antihemophilic factor (recombinant), glycoPEGylated-exei] a glycoPEGylated Factor VIII product with an extended half-life for use in adults and children with Hemophilia A. The Biogen, Bayer, and Novo Nordisk products are competitors in the extended half-life Factor VIII market.

Research and Development

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

	Year Ended December 31,	
	2020	2019
Third party and direct materials costs	$ 195.1	$ 221.5
Personnel, overhead and other costs	147.2	141.7
Stock-based compensation and depreciation	66.4	71.4
Research and development expense	$ 408.7	$ 434.6

Manufacturing and Supply

We have a manufacturing facility located in Huntsville, Alabama that is capable of manufacturing our proprietary PEG reagents for subsequent conjugation to active pharmaceutical ingredients (APIs). The facility is also used to produce APIs themselves, as well as PEG conjugates of those APIs, to support the early phases of clinical development of our proprietary drug candidates. The facility and associated equipment are designed and operated to be consistent with all applicable laws and regulations. As we do not maintain the capability to manufacture biologics nor finished drug products for our development programs, we primarily utilize contract manufacturers to manufacture biologics and finished drug product for us. We also utilize the services of contract manufacturers to manufacture APIs and finished drug products required for later phases of clinical development and eventual commercialization. Our contract manufacturers have contractual obligations to comply with all applicable laws and regulations.

We source drug starting materials for our manufacturing activities from one or more suppliers. For the drug starting materials necessary for our proprietary drug candidate development, we have agreements for the supply of such drug components with drug manufacturers or suppliers that we believe have sufficient capacity to meet our demands. However, from time to time, we source critical raw materials and services from one or a limited number of suppliers and there is a risk that if such supply or services were interrupted, it could materially harm our business. In addition, we typically order raw materials and services on a purchase order basis for early phase clinical development products and enter into long-term supply arrangements only for late stage products nearing regulatory approval for marketing authorization.

Environment

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

Employees and Consultants

As of December 31, 2020, we had 718 employees, of which 561 employees were engaged in research and development, manufacturing, commercial operations and quality activities and 157 employees in general administrative function. Of the 718 employees, 639 were located in the U.S. and 79 were located in India. We have a number of employees who hold advanced degrees, such as a Ph.D. None of our employees are covered by a collective bargaining agreement, and we have experienced no work stoppages. As part of our measures to attract and retain personnel, we provide a number of benefits to our full-time employees, including health insurance, life insurance, retirement plans, and paid holiday and vacation time. We believe that we maintain good relations with our employees.

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

Available Information

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

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages and positions of our executive officers as of February 25, 2021:

Name	Age	Position
Howard W. Robin	68	Director, President and Chief Executive Officer
Gil M. Labrucherie, J.D.	49	Chief Operating Officer and Chief Financial Officer
John Northcott	43	Senior Vice President and Chief Commercial Officer
Jillian B. Thomsen	55	Senior Vice President, Finance and Chief Accounting Officer
Mark A. Wilson, J.D.	49	Senior Vice President and General Counsel
Jonathan Zalevsky, Ph.D.	46	Chief Research and Development Officer

Howard W. Robin has served as our President and Chief Executive Officer since January 2007 and has served as a member of our board of directors since February 2007. Mr. Robin served as Chief Executive Officer, President and a director of Sirna Therapeutics, Inc., a biotechnology company, from July 2001 to November 2006 and from January 2001 to June 2001, served as their Chief Operating Officer, President and as a director. From 1991 to 2001, Mr. Robin was Corporate Vice President and General Manager at Berlex Laboratories, Inc. (Berlex), a pharmaceutical products company that is a subsidiary of Schering, AG, and from 1987 to 1991 he served as Vice President of Finance and Business Development and Chief Financial Officer of Berlex. From 1984 to 1987, Mr. Robin was Director of Business Planning and Development at Berlex. He was a Senior Associate with Arthur Andersen & Co. prior to joining Berlex. Mr. Robin serves as a director of the Biotechnology Industry Organization, the world's largest biotechnology industry trade organization, and also serves as a director of BayBio, a

non-profit trade association serving the Northern California life sciences community. He received his B.S. in Accounting and Finance from Fairleigh Dickinson University in 1974.

Gil M. Labrucherie has served as our Senior Vice President, Chief Financial Officer since June 2016, and added the role of Chief Operating Officer in October 2019. Mr. Labrucherie served as our Vice President, Corporate Legal from October 2005 through April 2007 and served as our Senior Vice President, General Counsel and Secretary from April 2007 through June 2016 when he was promoted to Senior Vice President and Chief Financial Officer. From October 2000 to September 2005, Mr. Labrucherie was Vice President of Corporate Development at E2open, a platform enterprise software as a service company. While at E2open, Mr. Labrucherie was responsible for global corporate alliances and merger and acquisitions. Mr. Labrucherie began his career as an associate in the corporate practice of the law firm of Wilson Sonsini Goodrich & Rosati, P.C. Mr. Labrucherie received his J.D. from the Berkeley Law School and his B.A. from the University of California Davis.

John Northcott has served as our Senior Vice President and Chief Commercial Officer since December 2019. From 2015 to 2019, Mr. Northcott served as the Chief Commercial Officer of Pharmacyclics. From 2013 to 2015, Mr. Northcott was Chief Commercial Officer at Lexicon Pharmaceuticals. He has held commercial roles from 2007 to 2013 in both U.S. and Global marketing with Genentech and the Roche Group, including the role of International Business Leader. Prior to Roche/Genentech, Mr. Northcott held management positions in sales and marketing in a variety of therapeutic areas at other pharmaceutical companies including Merck and Pfizer. Mr. Northcott received a bachelor's degree in Business Administration from St. Francis Xavier University.

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

Mark A. Wilson has served as our Senior Vice President and General Counsel since June 2016. Mr. Wilson joined Nektar in May 2002 and initially served as Patent Counsel and then as Senior Patent Counsel to the company prior to 2008 when he was promoted to Vice President, Intellectual Property. Before joining Nektar in 2002, Mr. Wilson was an associate at Reed & Associates, a patent law firm in Menlo Park, California, where he represented both start-up and Fortune 500 companies. Mr. Wilson received his J.D. from Seton Hall University, School of Law, and his B.S. in Pharmacy from Rutgers University, College of Pharmacy. He is registered to practice before the U.S. Patent and Trademark Office and is a member of the California Bar.

Jonathan Zalevsky has served as our Chief Research & Development Officer since October 2019. Dr. Zalevsky served as our Senior Vice President, Biology and Preclinical Development from April 2017 through November 2017 and served as our Senior Vice President, Research and Chief Science Officer from November 2017 to October 2019. From July 2015 through April 2017, Dr. Zalevsky served as our Vice President, Biology and Preclinical Development. Prior to joining Nektar, Dr. Zalevsky was Global Vice President and Head of the Inflammation Drug Discovery Unit at Takeda Pharmaceuticals. Prior to working at Takeda, Dr. Zalevsky held a number of research and development positions at Xencor, Inc. Dr. Zalevsky received his Ph.D. in Biochemistry from the Tetrad Program at the University of California, San Francisco. He received dual bachelor degrees in Biochemistry and Molecular, Cellular and Developmental Biology from the University of Colorado at Boulder.

Item 1A. Risk Factors

We are providing the following cautionary discussion of risk factors, uncertainties and assumptions that we believe are relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results and our forward-looking statements. We note these factors for investors as permitted by Section 21E of the Exchange Act and Section 27A of the Securities Act. Investors in Nektar Therapeutics should carefully consider the risks described below before making an investment decision. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider this section to be a complete discussion of all potential risks or uncertainties that may substantially impact our business. Moreover, we operate in a competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all of these factors on our business, financial condition or results of operations.

Risks Related to our Research and Development Efforts

We are highly dependent on the success of bempegaldesleukin, our lead I-O candidate. We are executing a clinical development program for bempegaldesleukin and clinical and regulatory outcomes for bempegaldesleukin, if not successful, will significantly harm our business.

Our future success is highly dependent on our ability to successfully develop, obtain regulatory approval for, and commercialize bempegaldesleukin. In general, most investigational drugs, including I-O drug candidates such as bempegaldesleukin, do not become approved drugs. Accordingly, there is a very meaningful risk that bempegaldesleukin will not succeed in one or more clinical trials sufficient to support one or more regulatory approvals. To date, reported clinical outcomes from bempegaldesleukin have had a significant impact on our market valuation, and business prospects and we expect this to continue in future periods. If one or more clinical studies of bempegaldesleukin are delayed (as a result of, for example, our collaboration partner causing a delay of the initiation or completion of one or more clinical trials for reasons outside of our control) or not successful, it would materially harm our market valuation, prospects, financial condition and results of operations. For example, under the BMS Collaboration Agreement, we are entitled to up to approximately $1.455 billion in development milestone payments (of which we have received $50.0 million) that are based upon clinical and regulatory successes from the bempegaldesleukin development program. One or more failures in bempegaldesleukin studies could jeopardize such milestone payments, and any product sales or royalty revenue or commercial milestone payments that we would otherwise be entitled to receive could be reduced, delayed or eliminated.

Additionally, promising results from earlier trials may not predict similarly favorable outcomes in subsequent trials. For example, several of our past, planned and ongoing clinical trials utilize an “open-label” trial design. An “open-label” clinical trial is one where both the patient and investigator know whether the patient is receiving the investigational drug candidate or either an existing approved drug or placebo. Most typically, open-label clinical trials test only the investigational drug candidate and sometimes may do so at different dose levels. Open-label clinical trials are subject to various limitations that may exaggerate any therapeutic effect as patients in open-label clinical trials are aware when they are receiving treatment. Open-label clinical trials may be subject to a “patient bias” where patients perceive their symptoms to have improved merely due to their awareness of receiving an experimental treatment. In addition, open-label clinical trials may be subject to an “investigator bias” where those assessing and reviewing the physiological outcomes of the clinical trials are aware of which patients have received treatment and may interpret the information of the treated group more favorably given this knowledge. The results from an open-label trial may not be predictive of future clinical trial results with any of our drug candidates for which we include an open-label clinical trial when studied in a controlled environment with a placebo or active control.

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

We or our partners may experience delays in clinical trials of drug candidates. We have ongoing trials evaluating bempegaldesleukin, including trials evaluating bempegaldesleukin as a potential combination treatment with BMS’s Opdivo® as well as other ongoing and planned combination trials. Our partner Lilly is conducting two Phase 2 studies of NKTR-358 in patients with SLE and ulcerative colitis as well as two Phase 1b studies in patients with psoriasis and atopic dermatitis. We also continue to enroll patients in a Phase 1/2 study evaluating bempegaldesleukin in combination with NKTR-262 in patients with solid tumors. In addition, we have initiated a Phase 1 clinical study of NKTR-255 in adults with relapsed or refractory non-Hodgkin lymphoma or multiple myeloma, as well as a Phase 1/2 clinical study of NKTR-255 in patients with relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer. These and other clinical studies may not begin on time,

enroll a sufficient number of patients or be completed on schedule, if at all. Clinical trials for any of our drug candidates could be delayed for a variety of reasons, including:

- delays in obtaining regulatory authorization to commence a clinical study;
- delays in reaching agreement with applicable regulatory authorities on a clinical study design;
- for drug candidates (such as bempegaldesleukin and NKTR-358) partnered with other companies, delays caused by our partner;
- delays caused by the COVID-19 pandemic (see also the risk factor in this Item 1A titled "*Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic*").
- imposition of a clinical hold by the FDA or other health authorities, which may occur at any time including after any inspection of clinical trial operations or trial sites;
- suspension or termination of a clinical study by us, our partners, the FDA or foreign regulatory authorities due to adverse side effects of a drug on subjects in the trial;
- delays in recruiting suitable patients to participate in a trial;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical sites dropping out of a trial to the detriment of enrollment rates;
- delays in manufacturing and delivery of sufficient supply of clinical trial materials;
- changes in regulatory authorities policies or guidance applicable to our drug candidates; and
- delays caused by changing standards of care or new treatment options.

If the initiation or completion of any of the planned clinical studies for our drug candidates is delayed for any of the above or other reasons, results for the studies would be delayed, and consequently the regulatory approval process would be delayed which would also delay our ability to commercialize these drug candidates, which could have a material adverse effect on our business, financial condition and results of operations. Clinical study delays could also shorten any commercial periods during which our products have patent protection and may allow our competitors to bring products to market before we do, which could impair our ability to successfully commercialize our drug candidates and may harm our business and results of operations.

The outcomes from competitive I-O and combination therapy clinical trials, and the discovery and development of new potential oncology therapies, could have a material and adverse impact on the value of our I-O research and development pipeline.

The research and development of I-O therapies is a very competitive global segment in the biopharmaceutical industry attracting tens of billions of dollars of investment each year. Our clinical trial plans for bempegaldesleukin, NKTR-262, and NKTR-255 face substantial competition from other I-O combination regimens already approved, and many more combination therapies that are either ahead of or in parallel development in patient populations where we are studying our drug candidates. As I-O combination therapies are relatively new approaches in cancer treatment and few have successfully completed late stage development, I-O drug development entails substantial risks and uncertainties that include rapidly changing standards of care, identifying contribution of component therapies, patient enrollment competition, evolving regulatory frameworks to evaluate combination regimens, and varying risk-benefit profiles of competing therapies, any or all of which could have a material and adverse impact on the probability of success of I-O drug candidates.

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

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

Drug development is a highly uncertain scientific and medical endeavor, and failure can unexpectedly occur at any stage of preclinical and clinical development. Typically, there is a high rate of attrition for drug candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care (including commercialization of a competing therapy in the same or similar indication for which our drug candidate is being studied) and other variables (such as commercial supply challenges). The risk of failure increases for our drug candidates that are based on new technologies, such as the application of our advanced polymer conjugate technology to bempegaldesleukin, NKTR-358, NKTR-262, NKTR-255, 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.

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

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

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

Our advanced polymer conjugate chemistry platforms and our partnered and proprietary products and drug candidates compete with various pharmaceutical and biotechnology companies. Competitors of our polymer conjugate chemistry technologies include Biogen Inc., Horizon Pharma, Dr. Reddy's Laboratories Ltd., SunBio Corporation, Laysan Bio, Inc., 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 polymer conjugation technologies or technologies that have similar impact on target drug molecules. Some of these companies license or provide the technology to other companies, while others are developing the technology for internal use.

There are many competitors for our proprietary drug candidates currently in development. For bempegaldesleukin, there are numerous companies engaged in developing immunotherapies to be used alone, or in combination, to treat a wide range of oncology indications targeting both solid and liquid tumors. In particular, we expect to compete with therapies with tumor infiltrating lymphocytes, or TILS, chimeric antigen receptor-expressing T cells, or CAR-T, cytokine-based therapies, and checkpoint inhibitors. Potential competitors in the TIL and CAR-T space include Gilead Sciences, Inc. (through its acquisition of Kite Pharma, Inc.)/NCI, Apeiron Biologics, Philogen S.p.A., Brooklyn ImmunoTherapeutics LLC, Anaveon AG, Adaptimmune LLC, and Novartis AG; potential competitors in the cytokine-based therapies space include Alkermes plc, ImmunityBio, Inc., Neoleukin Therapeutics, Inc., Philogen S.p.A., Roche, Sanofi SA (through its acquisition of Synthorx, Inc.), and Eli Lilly & Co. (through its acquisition of Armo BioSciences); and potential competitors in the checkpoint inhibitor space include GlaxoSmithKline plc (through its acquisition of Tesaro, Inc.), Macrogenics, Inc., Merck, Bristol-Myers Squibb Company, and Roche. For NKTR-358, there are a number of competitors in various stages of clinical development that are working on programs which are designed to correct the underlying immune system imbalance in the body due to autoimmune disease. In particular, we expect to compete with therapies that could be cytokine-based therapies (Symbiotix, LLC, Janssen, AstraZeneca, and Tizona Therapeutics), regulatory T cell therapies (Targazyme, Inc., Caladrius BioSciences, Inc., and Tract Therapeutics, Inc.), or IL-2-based-therapies (Amgen Inc., Celgene Corporation, ILTOO Pharma, Pandion Therapeutics, and Roche). For NKTR-255, we believe companies that are currently researching and developing engineered IL-15 biologics and cell therapies that could compete with this drug candidate include Artiva Biotherapeutics, Fate Therapeutics, ImmunityBio, Inc., nkarta therapeutics, NKMax America, and Roche/Genentech (through its partnership with Xencor, Inc.). 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.

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

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

Risks Related to our Collaboration Partners

We are highly dependent on our collaboration partners to initiate, properly conduct and prioritize clinical trials for bempegaldesleukin and NKTR-358 and to perform important additional development and commercialization activities, and our business will be significantly harmed if their actions deprioritize or otherwise harm the prospects of our drug candidates.

We rely on BMS (through the BMS Collaboration Agreement) and Lilly (through the Lilly Agreement) to initiate, properly conduct, and prioritize clinical trials and other development-related activities for bempegaldesleukin and NKTR-358, respectively. Furthermore, we will rely on BMS and Lilly to perform specified commercialization activities for bempegaldesleukin and NKTR-358, respectively, pursuant to the applicable agreement. In the event BMS or Lilly fails to initiate, properly conduct and prioritize their obligations under their applicable agreement with us, our business will be significantly harmed. Even if the applicable agreement provides us with enforcement or other curative rights to address the harm caused by BMS's or Lilly's action (or failure to act), our efforts in pursuing a remedy would be costly and there is no guarantee that efforts would succeed or be sufficient to fully address the harm.

In addition, for reasons outside of our control, the operations of our collaboration partners may be more affected by the COVID-19 pandemic than we are, or they may adopt more restrictive procedures for addressing the COVID-19 pandemic, either of which would delay initiating or completing one or more clinical trials involving our drug candidates.

Risks Related to our Financial Condition and Capital Requirement

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

Under our collaboration agreements with various pharmaceutical or biotechnology companies (other than Nektar-run trials under the BMS Collaboration Agreement), our collaboration partner is generally solely responsible for:

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

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

- we have very little control over the timing and level of resources that our collaboration partners dedicate to commercial marketing efforts such as the amount of investment in sales and marketing personnel, general marketing campaigns, direct-to-consumer advertising, product sampling, pricing agreements and rebate strategies with government and private payers, manufacturing and supply of drug product, and other marketing and selling activities that need to be undertaken and well executed for a drug to have the potential to achieve commercial success;
- collaboration partners with commercial rights may choose to devote fewer resources to the marketing of our partnered drugs than they devote to their own drugs or other drugs that they have in-licensed;
- we have very little control over the timing and amount of resources our partners devote to development programs in one or more major markets;
- disagreements with partners could lead to delays in, or termination of, the research, development or commercialization of drug candidates or to litigation or arbitration proceedings;

- disputes may arise or escalate in the future with respect to the ownership of rights to technology or intellectual property developed with partners;
- we do not have the ability to unilaterally terminate agreements (or partners may have extension or renewal rights) that we believe are not on commercially reasonable terms or consistent with our current business strategy;
- partners may be unable to pay us as expected;
- 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; and
- partners may respond to natural disasters, such as the COVID-19 pandemic, by ceasing all or some of their development responsibilities (including the responsibility to clinical develop our drug candidates).

Given these risks, the success of our current and future collaboration partnerships is highly unpredictable and can have a substantial negative impact on our business. If the approved drugs fail to achieve commercial success or the drugs in development fail to have positive late stage clinical outcomes sufficient to support regulatory approval in major markets, it could significantly impair our access to capital necessary to fund our research and development efforts for our proprietary drug candidates. If we are unable to obtain sufficient capital resources to advance our drug candidate pipeline, it would negatively impact the value of our business, results of operations and financial condition.

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

As of December 31, 2020, we had cash and investments in marketable securities valued at approximately $1.2 billion. On April 13, 2020, we redeemed our senior notes at par and therefore repaid the principal of $250.0 million and accrued interest of $4.8 million. While we believe that our cash position will be sufficient to meet our liquidity requirements through at least the next 12 months, our future capital requirements will depend upon numerous unpredictable factors, including:

- the cost, timing and outcomes of clinical studies and regulatory reviews of our drug candidates — important examples include bempegaldesleukin and NKTR-358;
- if and when we receive potential milestone payments and royalties from our existing collaborations if the drug candidates subject to those collaborations achieve clinical, regulatory or commercial success;
- the progress, timing, cost and results of our clinical development programs;
- the success, progress, timing and costs of our efforts to implement new collaborations, licenses and other transactions that increase our current net cash, such as the sale of additional royalty interests held by us, term loan or other debt arrangements, and the issuance of securities;
- the number of patients, enrollment criteria, primary and secondary endpoints, and the number of clinical studies required by the regulatory authorities in order to consider for approval our drug candidates and those of our collaboration partners;
- our general and administrative expenses, capital expenditures and other uses of cash; and
- disputes concerning patents, proprietary rights, or license and collaboration agreements that negatively impact our receipt of milestone payments or royalties or require us to make significant payments arising from licenses, settlements, adverse judgments or ongoing royalties.

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

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

If government and private insurance programs do not provide payment or reimbursement for our partnered drug or proprietary drugs, those drugs 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 coverage and payment or reimbursement from third-party payers, such as government programs, including Medicare and Medicaid, managed care providers, private health insurers and other organizations. However, eligibility for coverage does not necessarily signify that a drug candidate will be adequately reimbursed in all cases or at a rate that covers costs related to research, development, manufacture, sale, and distribution. Third-party payers are increasingly challenging the price and cost effectiveness of medical products and services. Therefore, significant uncertainty exists as to the coverage and pricing approvals for, and the payment or reimbursement status of, newly approved healthcare products. Further, due to the COVID-19 pandemic, millions of individuals have lost or will be losing employer-based insurance coverage, which may adversely affect our ability to commercialize our drug candidates even if there is adequate coverage and reimbursement from third-party payers.

Moreover, legislation and regulations affecting the pricing of pharmaceuticals may change before regulatory agencies approve our proposed products for marketing and could further limit coverage or pricing approvals for, and reimbursement of, our products from government authorities and third-party payers. Federal agencies, Congress and state legislatures have continued to show interest in implementing cost containment programs to limit the growth of health care costs, including price controls, restrictions on reimbursement and other fundamental changes to the healthcare delivery system. In addition, in recent years, Congress has enacted various laws seeking to reduce the federal debt level and contain healthcare expenditures, and the Medicare and other healthcare programs are frequently identified as potential targets for spending cuts. New government legislation or regulations related to pricing or other fundamental changes to the healthcare delivery system as well as a government or third-party payer decision not to approve pricing for, or provide adequate coverage or reimbursement of, our products hold the potential to severely limit market opportunities of such products.

Recent federal legislation and actions by federal, state and local governments may permit reimportation of drugs from foreign countries into the United States, including foreign countries where the drugs are sold at lower prices than in the United States, which could materially adversely affect our operating results.

We may face competition in the United States for our development candidates and investigational medicines, if approved, from therapies sourced from foreign countries that have placed price controls on pharmaceutical products. In the United States, the Medicare Modernization Act, or MMA, contains provisions that call for the promulgation of regulations that expand pharmacists' and wholesalers' ability to import cheaper versions of an approved drug and competing products from Canada, where there are government price controls. Further, the MMA provides that these changes to U.S. importation laws will not take effect, unless and until the U.S. Secretary of Health and Human Services (HHS) certifies that the changes will pose no additional risk to the public's health and safety and will result in a significant reduction in the cost of products to consumers. On September 23, 2020, the U.S. Secretary of the HHS made such certification to Congress, and on October 1, 2020, FDA published a final rule that allows for the importation of certain prescription drugs from Canada. Under the final rule, States and Indian Tribes, and in certain future circumstances pharmacists and wholesalers, may submit importation program proposals to the FDA for review and authorization. Since the issuance of the final rule, several industry groups have filed federal lawsuits

challenging multiple aspects of the final rule, and authorities in Canada have passed rules designed to safeguard the Canadian drug supply from shortages. On September 25, 2020, the Centers for Medicare and Medicaid (CMS) stated drugs imported by States under this rule will not be eligible for federal rebates under Section 1927 of the Social Security Act and manufacturers would not report these drugs for "best price" or Average Manufacturer Price purposes. Since these drugs are not considered covered outpatient drugs, CMS further stated it will not publish a National Average Drug Acquisition Cost for these drugs. Separately, the FDA also issued a final guidance document outlining a pathway for manufacturers to obtain an additional National Drug Code, or NDC, for an FDA-approved drug that was originally intended to be marketed in a foreign country and that was authorized for sale in that foreign country. The market implications of the final rule and guidance are unknown at this time. Proponents of drug reimportation may attempt to pass legislation that would directly allow reimportation under certain circumstances. Legislation or regulations allowing the reimportation of drugs, if enacted, could decrease the price we receive for any products that we may develop and adversely affect our future revenues and prospects for profitability.

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

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

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

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

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

For the year ended December 31, 2020, we reported a net loss of $444.4 million. If and when we achieve profitability depends upon a number of factors, including the timing and recognition of milestone and other contingent payments and royalties received, the timing of revenue under our collaboration agreements, the amount of investments we make in our proprietary drug candidates and the regulatory approval and market success of our drug 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 biotechnology companies;
- effectively estimate and manage clinical development costs, particularly the cost of the clinical studies for bempegaldesleukin, NKTR-358, NKTR-262, and NKTR-255;
- 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.

Risks Related to the COVID-19 Pandemic

Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic.

Our business could be adversely affected, directly or indirectly, by health epidemics in regions where we have concentrations of clinical trial sites or other business operations, including both our own manufacturing operations as well as the manufacturing operations of third parties upon whom we rely. With respect to the ongoing COVID-19 pandemic, national, state and local governments in regions affected by the COVID-19 pandemic have implemented, and may continue to implement safety precautions, including quarantines, border closures, increased border controls, travel restrictions, shelter-in-place orders and shutdowns, business closures and other measures. These measures may disrupt normal business operations both in and outside areas affected by COVID-19, and may have significant negative impacts on our business.

We continue to monitor our operations and applicable government recommendations, and we have made modifications to our normal operations because of the COVID-19 pandemic. For example, we have implemented work from home policies for most employees and limited business travel. Although we believe these and the other safety measures we have taken in response to the COVID-19 pandemic have not substantially impacted our productivity, it is not certain that this will continue to be the case.

Prolonged remote working arrangements could impact employees' productivity and morale, strain our technology resources and introduce operational risks. Operating requirements may continually change due to the COVID-19 pandemic and we may experience unpredictability in our expenses, employee productivity and employee work culture. Additionally, the risk of cyber-attacks or other privacy or data security incidents may be heightened as a result of our moving increasingly towards a remote working environment, which may be less secure and more susceptible to hacking attacks. If we, our partners, our suppliers, or our contractors experience a cyberattack, experience data accessibility issues, or encounter communication disruptions, our business may suffer as a result of the loss or theft of our important data, and we may be liable for compromising the protection of personal data.

The COVID-19 pandemic could affect the health and availability of our workforce as well as those of the third parties with whom we seek important goods and services. If members of our management and other key personnel in critical functions across our organization are unable to perform their duties fully due to the COVID-19 pandemic, we may not be able to execute on our business strategy and/or our operations may be negatively impacted. Furthermore, delays and disruptions experienced by our collaborators or other third parties due to the COVID-19 pandemic could adversely impact the ability of such parties to fulfill their obligations, which could affect clinical development or regulatory approvals of our drug candidates.

Our clinical trials have been and may continue to be affected by the COVID-19 pandemic. Investigator recruitment, clinical site initiation, patient screening and patient enrollment may be delayed due to, for example, prioritization of hospital resources toward the COVID-19 pandemic. Some patients who are successfully enrolled in clinical trials involving our drug candidates may not be able to comply with clinical trial protocols due to, for example, shelter-in-place orders impeding movement, disrupted healthcare services, or health issues for suspected or confirmed COVID-19 status. Similarly, our ability to recruit and retain patients and principal investigators and site staff, all of whom may have heightened risk for COVID-19, could adversely impact our clinical trial operations.

The COVID-19 pandemic could affect our ability, and the ability third parties on whom we rely, to successfully manufacture sufficient supplies to complete our clinical trials in a timely manner. For example, it may be more difficult to obtain materials or manufacturing slots for the products required to conduct our clinical trials due to the demand for recently authorized vaccines and potential for manufacturing facilities and materials to be commandeered under the Defense Production Act of 1950, or equivalent foreign legislation.

Although we are implementing measures to maintain the integrity of our clinical trials, there is no guarantee that we will prevent all study protocol violations, missed study treatment visits, and other influences that jeopardize reliability and validity of our clinical trial data. If a regulatory authority determines our clinical trial data lacks integrity, there is no guarantee that we will have a remedy to correct or otherwise address the deficiency. Even if such a remedy is identified, the cost for implementing the remedy could be prohibitively expensive, time consuming, or both. As a consequence, a clinical study of our proprietary drug candidate in which the integrity of the clinical study is questioned or doubted may require lengthy and costly remediation measures (such as, for example, over-enrolling patients into the study or repeating the study), thereby causing substantial harm to our business.

Also, the COVID-19 pandemic could postpone necessary interactions with regulators regarding our drug candidates in development and could delay review or approval of our regulatory submissions.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, the pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The rapid development and fluidity of the COVID-19 pandemic results in a substantial number of individual variables that could cause a significant negative impact on our operations and our business, thereby precluding useful predictions as to how this pandemic will ultimately affect us. Thus, any current assessment of the effects of the COVID-19 pandemic, including the impact of this disease on our clinical trial timelines, is subject to change. We do not yet know the full extent of potential impacts on our business, our clinical trials, healthcare systems or the global economy as a whole. However, these effects could have a material negative impact on our operations and our business.

Risks Related to Supply and Manufacturing

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 manufacturering organizations (CMOs) are not able to manufacture and supply sufficient drug quantities meeting applicable quality standards required to support large clinical studies or commercial manufacturing in a timely manner, it could delay our or our collaboration partners' clinical studies or result in a breach of our contractual obligations, which could in turn reduce the potential commercial sales of our or our collaboration partners' products. As a result, we could incur substantial costs and damages and any product sales or royalty revenue that we would otherwise be entitled to receive could be reduced, delayed or eliminated. In most cases, we rely on CROs to manufacture and supply drug product for our clinical studies and those of our collaboration partners. The manufacturing of drugs involves significant risks and uncertainties related to the demonstration of adequate stability, sufficient purification of the drug substance and drug product, the identification and elimination of impurities, optimal formulations, process and analytical methods validations, and challenges in controlling for all of these variables. These risks and uncertainties are compounded by the COVID-19 pandemic wherein the facilities and employees responsible for manufacturing drugs for use in clinical trials may be negatively impacted such that there is an insufficient supply of study treatment drugs. We have faced and may in the future face significant difficulties, delays and unexpected expenses as we validate third party CMOs required for drug supply to support our clinical studies and the clinical studies and products of our collaboration partners. Failure by us or our CMOs to supply API or drug products 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.

On March 27, 2020, the President of the United States signed into law the CARES Act in response to the COVID-19 pandemic. Throughout the COVID-19 outbreak, there has been public concern over the availability and accessibility of critical medical products, and the CARES Act enhances FDA's existing authority with respect to drug shortage measures. Under the CARES Act, we must have in place a risk management plan that identifies and evaluates the risks to the supply of approved drugs for certain serious diseases or conditions for each establishment where the drug or API is manufactured. The risk management plan will be subject to FDA review during an inspection. If we experience shortages in the supply of our marketed products, our results could be materially impacted.

If any CMO with whom we contract fails to perform its obligations, we may be forced to manufacture the materials ourselves, for which we may not have the capabilities or resources, or enter into an agreement with a different CMO, which we may not be able to do on reasonable terms, if at all. In either scenario, our clinical trials or commercial distribution could be delayed significantly as we establish alternative supply sources. In some cases, the technical skills required to manufacture our products or drug candidates may be unique or proprietary to the original CMO and we may have difficulty, or there may be contractual restrictions prohibiting us from, transferring such skills to a back-up or alternate supplier, or we may be unable to transfer such skills at all. In addition, if we are required to change CMOs for any reason, we will be required to verify that the new CMO maintains facilities and procedures that comply with quality standards and with all applicable regulations. We will also need to verify, such as through a manufacturing comparability study, that any new manufacturing process will produce our product according to the specifications previously submitted to or approved by the FDA or another regulatory authority. The delays associated with the verification of a new CMO could negatively affect our ability to develop drug candidates or commercialize our products in a timely manner or within budget. Furthermore, a CMO may possess technology related to the manufacture of our drug candidate that such CMO owns independently. This would increase our reliance on such a CMO or

require us to obtain a license from such CMO in order to have another CMO manufacture our products or drug candidates. In addition, in the case of the CMOs that supply our drug candidates, changes in manufacturers often involve changes in manufacturing procedures and processes, which could require that we conduct bridging studies between our prior clinical supply used in our clinical trials and that of any new manufacturer. We may be unsuccessful in demonstrating the comparability of clinical supplies which could require the conduct of additional clinical trials.

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. There continues to be substantial and unpredictable risk and uncertainty related to manufacturing and supply until such time as the commercial supply chain is validated and proven.

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

We often face very limited supply of a critical raw material that can only be obtained from a single, or a limited number of, suppliers, which could cause production delays, clinical trial delays, substantial lost revenue opportunities or contract liabilities to third parties. For example, there are only a limited number of qualified suppliers, and in some cases single source suppliers, for the raw materials included in our PEGylation and advanced polymer conjugate drug formulations. Any interruption in supply, diminution in quality of raw materials supplied to us 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.

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

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

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

To the extent we rely on other pharmaceutical or biotechnology companies with established sales, marketing and distribution systems to market our products, we will need to establish and maintain partnership arrangements, and we may not be able to enter into these arrangements on acceptable terms or at all. To the extent that we enter into co-promotion or other arrangements, any revenue we receive will depend upon the efforts of third parties, which may not be successful and over which we have little or no control. In the event that we market our products without a partner, we would be required to build, either internally or through third-party contracts, 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 depend on third parties to conduct the clinical trials for our proprietary drug 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 drug candidates. We rely heavily on these parties for the successful execution of our clinical trials. Though we are ultimately responsible for the results of their activities, many aspects of their activities are beyond our control. For example, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trials, but the independent clinical investigators may prioritize other projects over ours or communicate issues regarding our drug candidates to us in an untimely manner. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The early termination of any of our clinical trial arrangements, the failure of third parties to comply with the regulations and requirements governing clinical trials or the failure of third parties to properly conduct our clinical trials could hinder or delay the development, approval and commercialization of our product candidates and would adversely affect our business, results of operations and financial condition.

Risks Related to Business Operations

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

We are in the very early stages of building a commercialization and distribution capabilities for bempegaldesleukin in the United States and Europe. To commercialize any of our drugs that receive regulatory approval for commercialization, we must develop robust internal sales, marketing and distribution capabilities, and manage inventory, supply, labeling, storage, record keeping, and advertising and promotion capabilities, which is both expensive and time consuming, or enter into arrangements with third parties to perform these services. For example, we have committed to co-commercializing bempegaldesleukin with BMS and establish global distribution and infrastructure for us to be able to book global revenue for bempegaldesleukin if it achieves regulatory approval. Establishing this commercialization capability requires a significant commitment of 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 through partnerships 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 successfully educate adequate numbers of physicians about the potential benefits associated with the use of, and to subsequently 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.

We may not be able to manage our growth effectively, which could adversely affect our operations and financial performance.

The ability to manage and operate our business as we execute our development and growth strategy will require effective planning and execution. Significant rapid growth could strain our management and internal resources, and other problems may arise that could adversely affect our financial performance. We expect that our efforts to grow will place a significant strain on personnel, management systems, infrastructure and other resources. Our ability to effectively manage future growth will also require us to successfully attract, train, motivate, retain and manage new employees and continue to update and improve our operational, financial and management controls and procedures. If we do not manage our growth effectively, our operations and financial performance could be adversely affected.

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 establish a commercial organization in collaboration with our partners, while simultaneously managing the capital necessary to support this strategy. 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 dilutive financing arrangements on unfavorable terms.

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 commercial, 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 awards 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.

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.

Risks Related to Intellectual Property, Litigation and Regulatory Concerns

We may not elect or be able to take advantage of any expedited development or regulatory review and approval processes available to drug candidates granted Breakthrough Therapy designation by the FDA.

We intend to evaluate and continue ongoing discussions with the FDA on regulatory strategies that could enable us to take advantage of expedited development pathways for certain of our drug candidates, although we cannot be certain that our drug candidates will qualify for any expedited development pathways or that regulatory authorities will grant, or allow us to maintain, the relevant qualifying designations.

Breakthrough Therapy designation is intended to expedite the development and review of drug candidates that are designed to treat serious or life-threatening diseases when preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation of a drug candidate as a Breakthrough Therapy provides potential benefits that include more frequent meetings with FDA to discuss the development plan for the drug candidate and ensure collection of appropriate data needed to support approval; more frequent written correspondence from FDA about such things as the design of the proposed clinical trials and use of biomarkers; intensive guidance on an efficient drug development program, beginning as early as Phase 1; organizational commitment involving senior managers; and eligibility for rolling review and priority review.

Although bempegaldesleukin in combination with Opdivo® received Breakthrough Therapy designation for the treatment of patients with previously untreated unresectable or metastatic melanoma, we may elect not to pursue Breakthrough Therapy designation for our other drug candidates, and the FDA has broad discretion whether or not to grant these designations.

Accordingly, even if we believe a particular drug candidate is eligible for Breakthrough Therapy, we cannot be assured that the FDA would decide to grant it. Breakthrough Therapy designation does not change the standards for drug approval, and there is no assurance that such designation will result in expedited review or approval or that the approved indication will not be narrower than the indication covered by the Breakthrough Therapy designation. Thus, even though we have received Breakthrough Therapy designation, we may not experience a faster development process or review, and, upon any filing seeking regulatory approval, we may not obtain an approval from the FDA.

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

We or our partners may not obtain regulatory approval for drug candidates on a timely basis, or at all, or the terms of any approval (which in some countries includes pricing approval) may impose significant restrictions or limitations on use. Drug candidates must undergo rigorous animal and human testing and an extensive review process for safety and efficacy by the FDA and equivalent foreign regulatory authorities. The time required for obtaining regulatory decisions is uncertain and difficult to predict. For example, although the FDA granted a Breakthrough Therapy designation to bempegaldesleukin in combination with Opdivo® for the treatment of patients with previously untreated unresectable or metastatic melanoma, there is no guarantee regulatory approval will follow, if at all, for this or any indication of bempegaldesleukin on a timely basis. The FDA and other U.S. and foreign regulatory authorities have substantial discretion, at any phase of development, to terminate clinical studies, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. Further, regulatory authorities have the discretion to analyze data using their own methodologies that may differ from those used by us or our partners, which could lead such authorities to arrive at different conclusions regarding the safety or efficacy of a drug candidate. In addition, undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities. For example, AstraZeneca is conducting a post-marketing, observational epidemiological study comparing MOVANTIK® to other treatments of opioid-induced constipation (OIC) in patients with chronic, non-cancer pain and the results of this study could at some point in the future negatively impact the labeling, regulatory status, and commercial potential of MOVANTIK®.

Even if we or our partners receive regulatory approval of a product, the approval may limit the indicated uses for which the drug may be marketed. Our and 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 drug candidates, any product marketing limitations or a product withdrawal would negatively impact our business, results of operations and financial condition.

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

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

- clinical development and commercialization obligations that are based on certain commercial reasonableness performance standards that can often be difficult to enforce if disputes arise as to adequacy of our partner’s performance;
- research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered drug candidate development programs;
- clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;
- intellectual property ownership allocation between us and our partners for improvements and new inventions developed during the course of the collaboration;
- royalties on drug sales based on a number of complex variables, including net sales calculations, geography, scope of patent claim coverage, patent life, generic competitors, bundled pricing and other factors; and
- indemnity obligations for intellectual property infringement, product liability and certain other claims.

We are a party to numerous significant collaboration agreements and other strategic transaction agreements (e.g., financings and asset divestitures) that contain complex representations and warranties, covenants and indemnification obligations. If we are found to have materially breached such agreements, it could subject us to substantial liabilities and harm our financial condition.

From time to time, we are involved in litigation matters involving the interpretation and application of complex terms and conditions of 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.

The price of our common stock has, and may continue to fluctuate significantly, which could result in substantial losses for investors and securities class action and shareholder derivative litigation.

Our stock price is volatile. During the year ended December 31, 2020, based on closing prices on the NASDAQ Global Select Market, the closing price of our common stock ranged from $14.47 to $27.96 per share. In response to volatility in the price of our common stock in the past, Plaintiffs' securities litigation firms have sought information from us and/or shareholders as part of their investigation into potential securities violations and breaches of duties (among other corporate misconduct allegations). Following their investigations, Plaintiffs' securities litigation firms have often initiated legal action, including the filing of class action lawsuits, derivative lawsuits, and other forms of redress. We expect our stock price to remain volatile and we continue to expect the initiation of legal actions by Plaintiffs' securities litigation firms following share price fluctuations.

- A variety of factors may have a significant effect on the market price of our common stock, including the risks described in this section titled "Risk Factors" and the following:
- announcements of data from, or material developments in, our clinical studies and those of our collaboration partners, including data regarding efficacy and safety, delays in clinical development, regulatory approval or commercial launch – in particular, data from clinical studies of bempegaldesleukin has had a significant impact on our stock price;
- the timing of outcomes from our clinical trials which can be difficult to predict particularly for clinical studies that have event-driven end points such as progression-free survival and overall survival;
- announcements by collaboration partners as to their plans or expectations related to drug candidates and approved drugs in which we have a substantial economic interest;
- announcements regarding terminations or disputes under our collaboration agreements;
- fluctuations in our results of operations;
- developments in patent or other proprietary rights, including intellectual property litigation or entering into intellectual property license agreements and the costs associated with those arrangements;
- announcements of technological innovations or new therapeutic products that may compete with our approved products or products under development;
- announcements of changes in governmental regulation affecting us or our competitors;
- litigation brought against us or third parties to whom we have indemnification obligations;
- public concern as to the safety of drug formulations developed by us or others;
- our financing needs and activities; and
- general market conditions.

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

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

Numerous pending and issued U.S. and foreign patent rights and other proprietary rights owned by third parties relate to pharmaceutical compositions, methods of preparation and manufacturing, and methods of use and administration. We cannot predict with any certainty which, if any, patent rights 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 sufficiency of the scope and adequacy of these licenses is very uncertain in view of the 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 to avoid a need to secure a license. If we are required to enter

into a license with a third party, our potential economic benefit for the products subject to the license will be diminished. If a license is not available on commercially reasonable terms or at all, we may be prevented from developing and commercializing the drug, which could significantly harm our business, results of operations, and financial condition.

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

The patent positions of pharmaceutical and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own more than 300 U.S. and 1,050 foreign patents and have a number of pending patent applications that cover various aspects of our technologies. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition, *inter partes* review, re-examinations or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form (and potentially in a form that renders the patent without commercially relevant and/or broad coverage). Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire prior to the commercialization of the drug. Moreover, even if a patent encompassing a drug has not expired prior to the drugs commercialization, the patent may only provide a short period of protection following the commercialization of products. In addition, our patents may be subject to post grant proceedings, such as or *inter partes* review and re-examinations, before the U.S. Patent and Trademark Office (or equivalent proceedings in other jurisdictions), which could result in a loss of the patent and/or substantial cost to us.

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

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

We 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 and other unpatented proprietary rights 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.

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 (or if we cannot secure product liability insurance), 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.

If we or current or future collaborators or service providers fail to comply with healthcare laws and regulations, we or they could be subject to enforcement actions and civil or criminal penalties.

Although we do not currently have any products on the market, once we begin commercializing our drug candidates, we will be subject to additional healthcare statutory and regulatory requirements and enforcement by the federal and state governments of the jurisdictions in which we conduct our business. Healthcare providers, physicians and third-party payers play a primary role in the recommendation and prescription of any drug candidates for which we obtain marketing approval. Our future arrangements with third-party payers and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our therapeutic candidates for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering, or paying remuneration (a term interpreted broadly to include anything of value, including, for example, gifts, discounts, and credits), directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order, or recommendation of, an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, such as the U.S. federal False Claims Act (FCA), which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment to Medicare, Medicaid, or other third-party payers that are false or fraudulent, or making a false statement or record material to payment of a false claim or avoiding, decreasing, or concealing an obligation to pay money owed to the federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA;
- provisions of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), which created new federal criminal statutes, referred to as the "HIPAA All-Payer Fraud Prohibition," that prohibit knowingly and willfully executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- federal transparency laws, including the federal Physician Payment Sunshine Act, which require manufacturers of certain drugs and biologics to track and disclose payments and other transfers of value they make to U.S. physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals as well as physician ownership and investment interests in the manufacturer, and that such information is subsequently made publicly available in a searchable format on a CMS website, effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician assistants and nurse practitioners;
- provisions of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, state transparency reporting and compliance laws; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and which may not have the same effect, thus complicating compliance efforts.

Ensuring that our future business arrangements with third parties comply with applicable healthcare laws and regulations could involve substantial costs. If our operations are found to be in violation of any such requirements, we may be subject to penalties, including administrative, civil or criminal penalties, imprisonment, monetary damages, the curtailment or restructuring of our operations, or exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, any of which could adversely affect financial results. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with applicable laws and regulations may be costly to us in terms of money, time and resources.

Disruptions to the normal functioning of the FDA and other government agencies could hinder their ability to perform and carry out important roles and activities on which the operation of our business relies, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other agencies on which our operations may rely is subject to the political process, which is inherently fluid and unpredictable. In response to the COVID-19 pandemic, on March 10, 2020 the FDA announced its intention to postpone most inspections of foreign manufacturing facilities while local, national and international conditions warrant. On March 18, 2020, the FDA announced its intention to temporarily postpone routine surveillance inspections of domestic manufacturing facilities and provided guidance regarding the conduct of clinical trials which the FDA continues to update. As of June 23, 2020, the FDA noted it was conducting mission critical domestic and foreign inspections to ensure compliance of manufacturing facilities with FDA quality standards. On July 10, 2020, the FDA announced its goal of restarting domestic on-site inspections during the week of July 20, 2020, but such activities will depend on data about the virus' trajectory in a given state and locality and the rules and guidelines that are put in place by state and local governments. The FDA has developed a rating system to assist in determining when and where it is safest to conduct prioritized domestic inspections. Should FDA determine that an inspection is necessary for approval and an inspection cannot be completed during the review cycle due to restrictions on travel, FDA has stated that it generally intends to issue a complete response letter. Further, if there is inadequate information to make a determination on the acceptability of a facility, FDA may defer action on the application until an inspection can be completed. In 2020, several companies announced receipt of complete response letters due to the FDA's inability to complete required inspections for their applications. Regulatory authorities outside the U.S. may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic and may experience delays in their regulatory activities.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA and other government employees and stop critical activities. Additionally, as of June 23, 2020, the FDA noted it is continuing to ensure timely reviews of applications for medical products during the COVID-19 pandemic in line with its user fee performance goals. On July 16, 2020, FDA noted that it is continuing to expedite oncology product development with its staff teleworking full-time. However, FDA may not be able to continue its current pace and review timelines could be extended, including where a pre-approval inspection or an inspection of clinical sites is required and due to the COVID-19 pandemic and travel restrictions FDA is unable to complete such required inspections during the review period. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future shutdowns of other government agencies, such as the SEC, may also impact our business through review of our public filings and our ability to access the public markets. In 2020, several companies announced receipt of complete response letters due to the FDA's inability to complete required inspections for their applications.

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

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

We are involved in legal proceedings where we or other third parties are enforcing or seeking intellectual property rights, invalidating or limiting patent rights that have already been allowed or issued, or otherwise asserting proprietary rights through one or more potential legal remedies. For example, we are currently involved in German litigation proceedings whereby we and Bayer Healthcare LLC are seeking at least co-ownership rights in certain of each other's patent filings related to PEGylated Factor VIII products. We believe that Bayer's claims to an ownership interest in these is without merit and we are vigorously defending our exclusive ownership rights to this intellectual property. These German litigation proceedings are currently stayed pending the outcome of ongoing mediation efforts. In the U.S., Bayer filed a complaint against Baxalta and Nektar alleging the ADYNOVATE® product infringes a Bayer patent. Although the U.S. court dismissed all of Bayer's claims

against Nektar and Nektar was removed as a defendant, a jury found the Bayer patent was valid and infringed, and awarded Bayer damages, the responsibility of which are borne fully by Baxalta. This damages award does not impact our royalties from sales of ADYNOVATE® under our collaboration with Baxalta and Baxalta is currently appealing the decision. In other U.S. proceedings, Nektar and Baxalta filed complaints against Bayer Healthcare alleging Bayer's JIVI® product infringes several Nektar patents. In addition, in response to notices AstraZeneca and we received from the generic companies, Apotex (Apotex Inc. and Apotex Corp.), MSN Laboratories Pvt. Ltd., and Aurobindo Pharma USA INC. alerting us that they had filed abbreviated new drug applications (ANDAs) with the FDA to market a generic version of MOVANTIK® (Paragraph IV Certifications), AstraZeneca and we together filed patent infringement suits against each of these generic companies. In these Paragraph IV Certifications, all three generic companies only alleged one patent, U.S. Patent No. 9,012,469, is invalid, unenforceable and/or not infringed by the manufacture, use or sale of their respective generic products. At this time, none of the other five Orange Book listed patents associated with MOVANTIK® are being challenged by these generics companies. In addition, on March 18, 2020, Aether Therapeutics Inc. filed a complaint against AstraZeneca, Nektar and Daiichi-Sanko, Inc. alleging MOVANTIK® infringes U.S. Patent Nos. 6,713,488, 8,748,448, 8,883,817 and 9,061,024. Also, on June 5, 2020, UCB Pharma S.A. and Celltech R&D Limited (collectively UCB) served notice of a Declaratory Judgment of Patent Invalidity proceeding filed in the United States District Court for the District of Delaware seeking a declaration of invalidity of specified U.S. patents owned by Nektar and licensed to UCB. UCB is also pursuing similar actions in other jurisdictions. We are also regularly involved in opposition proceedings at the European Patent Office and in *inter partes* review and re-examination proceedings at the U.S. Patent and Trademark Office where third parties seek to invalidate or limit the scope of our allowed patent applications or issued patents covering (among other things) our drugs and platform technologies.

We are involved in legal proceedings other than those related to intellectual property. For example, on October 30, 2018, we and certain of our executives were named in a putative securities class action complaint filed in the U.S. District Court for the Northern District of California (U.S. District Court in California), which complaint was subsequently amended on May 15, 2019. Also, on February 13, 2019, and February 18, 2019, shareholder derivative complaints were filed in the U.S. District Court for the District of Delaware naming the CEO, CFO and certain members of our board of directors. These class action and shareholder derivative actions assert, among other things, that for a period beginning at least from November 11, 2017 through October 2, 2018, our stock was inflated due to alleged misrepresentations about the efficacy and safety of bempegaldesleukin. On December 30, 2020, the U.S. District Court in California granted Nektar's motion to dismiss all claims in this securities class action filing, and denied plaintiffs with the ability to file a further amended complaint. Following the motion to dismiss, on January 29, 2021, the class action plaintiffs filed a Notice to Appeal to appeal the district court's decision to the U.S. Court of Appeals for the Ninth Circuit.

In addition, on August 19, 2019, we and certain of our executives were named in a putative securities class action complaint filed in U.S. District Court in California, which complaint was subsequently amended on January 24, 2020. Also, on February 11, 2020, and on February 20, 2020, shareholder derivative complaints were filed in U.S. District Court in California naming the CEO, CFO and certain members of our board of directors, which derivative complaints were consolidated and subsequently amended on July 1, 2020. The class action and shareholder derivative complaints assert, among other things, that for a period between February 15, 2019 and August 8, 2019, inclusive, our stock was inflated due to an alleged failure to disclose a reduction in the planned number of bempegaldesleukin clinical trials and a bempegaldesleukin manufacturing issue. On January 26, 2021, the U.S. District Court in California granted Nektar's motion to dismiss all claims in this securities class action filing, stating (among other things) that "Defendants' open disclosure of risks associated with trial delay … suggests that they acted openly with investors." Following the motion, the class action plaintiffs have an opportunity to file in early March a further amended complaint and the case remains pending.

On February 9, 2021, certain of our current and past directors and executives were named in a shareholder derivative complaint filed in the Court of Chancery of the State of Delaware. Allegations in this matter are similar to those raised in the putative securities class action complaints filed on October 30, 2018 and August 19, 2019 in the U.S. District Court in California.

The cost to us in initiating or defending any litigation or other proceeding, even if resolved in our favor, could be substantial, and litigation would divert our management's attention. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could delay our research and development efforts or result in financial implications either in terms of seeking license arrangements or payment of damages or royalties. There is no guarantee that our insurance coverage for damages resulting from a litigation or the settlement thereof (including the putative securities class action lawsuits and shareholder derivative lawsuits) is sufficient, thereby resulting in substantial financial risk to the Company.

All of the securities class action lawsuits and derivative complaints are in the early stages. Accordingly, we cannot reasonably estimate a potential future loss or a range of potential future losses. However, an unfavorable resolution could potentially have a material adverse effect on our business, financial condition, and results of operations or prospects, and

potentially result in paying monetary damages. We have recorded no liability for these matters in our Consolidated Balance Sheets at December 31, 2020.

Our operations may involve hazardous materials and are subject to environmental, health, and safety laws and regulations. Compliance with these laws and regulations is costly, and we may incur substantial liability arising from our activities involving the use of hazardous materials.

As a research-based biopharmaceutical company with significant research and development and manufacturing operations, we are subject to extensive environmental, health, and safety laws and regulations, including those governing the use of hazardous materials. Our research and development and manufacturing activities involve the controlled use of chemicals, radioactive compounds, and other hazardous materials. The cost of compliance with environmental, health, and safety regulations is substantial. If an accident involving these materials or an environmental discharge were to occur, we could be held liable for any resulting damages, or face regulatory actions, which could exceed our resources or insurance coverage.

General Risks to our Business

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.

We significantly rely on information technology systems, and any failure, inadequacy, interruption, breach, or security lapse of that technology within our internal computer systems, or those of our partners, vendors, CROs, CMOs or other contractors or consultants, may result in a material disruption of our development programs and our operations.

As part of our business, we collect, store and transmit large amounts of confidential information, proprietary data, intellectual property and personal data. Despite the implementation of security measures, our internal computer systems and those of our partners, vendors, contract research organizations (CROs), contract manufacturing organizations (CMOs) and other contractors and consultants are vulnerable to loss, damage, denial-of-service, unauthorized access, or misappropriation. Such cybersecurity breaches may be the result of unauthorized activity by our employees and contractors, as well as by third parties who use cyberattack techniques involving malware, hacking and phishing, among others. Our information technology systems, and those of our partners, vendors, CROs, CMOs or other contractors or consultants are also vulnerable to natural disasters, terrorism, war and telecommunication and electrical failures. Any such compromise or disruption, no matter the origin, may cause an interruption of our operations. For instance, the loss of preclinical data or data from any clinical trial involving our drug candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. In addition, the loss, corruption or unauthorized disclosure of our trade secrets, personal data or other proprietary or sensitive information could compromise the commercial viability of one or more of our programs, which would negatively affect our business. Also, the costs to us to investigate and mitigate cybersecurity incidents could be significant.

If we are found in violation of privacy and data protection laws, we may be required to pay penalties, be subjected to scrutiny by regulators or governmental entities, or be suspended from participation in government healthcare programs, which may adversely affect our business, financial condition and results of operations.

Our business to subject to many laws and regulations intended to protect the privacy and data of individuals participating in our clinical trials and our employees, among others. For example, with regard to individuals participating in our clinical trials, these laws and regulations govern the safeguarding the privacy, integrity, availability, security and transmission of individually identifiable health information. In addition to federal laws and regulations in the United States, such as the HIPAA requirements relating to the privacy, security and transmission of individually identifiable health information, many state and foreign laws also govern the privacy and security of health information. These laws often differ from each other in significant ways, thus complicating compliance efforts. The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future.

In the United States, California recently enacted the California Consumer Privacy Act (CCPA), which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA has increased our compliance costs and may increase our potential liability. The CCPA has prompted a number of proposals for new federal and state privacy legislation. If passed, these proposals could increase our potential liability, increase our compliance costs and adversely affect our business.

The European Regulation 2016/679, known as the General Data Protection Regulation (GDPR), and the implementing legislation of EU Member States, apply to the collection and processing of personal data, including health-related information, by companies located in the EU, or in certain circumstances, by companies located outside of the EU and processing personal information of individuals located in the EU. These laws impose strict obligations on the ability to process personal data, including health-related information, in particular in relation to their collection, use, disclosure and transfer. These include several requirements relating to, for example, (i) obtaining, in some situations, the consent of the individuals to whom the personal data relates, (ii) the information provided to the individuals about how their personal information is used, and (iii) ensuring the security and confidentiality of the personal data. The GDPR prohibits the transfer of personal data to countries outside of the European Economic Area (EEA), such as the United States, which are not considered by the European Commission to provide an adequate level of data protection. Potential pecuniary fines for noncompliant companies may be up to the greater of €20 million or 4% of annual global revenue.

To the extent that we are found liable for the inappropriate collection, storage, use or disclosure of protected information of individuals (such as employees and or clinical patients protected by any privacy or data protection law), we could be subject to reputational harm, monetary fines (such as those imposed by the GDPR and CCPA), civil suits, civil penalties or criminal sanctions and requirements to disclose the breach, and the development of our drug candidates could be delayed. In addition, we continue to be subject to new and evolving data protection laws and regulations from a variety of jurisdictions, and there is a risk that our systems and processes for managing and protecting data may be found to be inadequate, which could materially adversely affect our business, financial condition and results of operations.

Changes in tax law could adversely affect our business and financial condition.

Our business is subject to numerous international, federal, state, and other governmental laws, rules, and regulations that may adversely affect our operating results, including, taxation and tax policy changes, tax rate changes, new tax laws, or revised tax law interpretations, which individually or in combination may cause our effective tax rate to increase. In the U.S., the rules dealing with federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many such changes have been made and changes are likely to continue to occur in the future. For example, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law and included certain changes in tax law intended to stimulate the U.S. economy in light of the COVID-19 pandemic, including temporary changes to the treatment of net operating losses, interest deductibility limitations and payroll tax matters. Future changes in tax laws could have a material adverse effect on our business, cash flow, financial condition or results of operations.

Our ability to use our net operating loss carryforwards and certain tax credit carryforwards may be subject to limitation.

As of December 31, 2020, we had a net operating loss carryforward for federal income tax purposes of approximately $2.0 billion, portions of which will begin to expire in 2021. As of December 31, 2020, we had a total state net operating loss carryforward of approximately $1.3 billion, portions of which will begin to expire in 2026. These net operating loss and tax

credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. Federal net operating losses, or NOLs, generated in taxable years beginning after December 31, 2017 are not subject to expiration and generally may not be carried back to prior taxable years except that, under the CARES Act, NOLs generated in 2018, 2019 and 2020 may be carried back to each of the five taxable years preceding the taxable year in which the loss arises. Additionally, for any taxable year beginning after December 31, 2020, the deductibility of NOLs is limited to 80% of our taxable income in such taxable year (where taxable income is determined without regard to the net operating loss deduction itself).

Under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), substantial changes in our ownership may limit the amount of our NOLs and tax credits that can be utilized annually to offset our future U.S. federal taxable income, if any. This limitation would generally apply in the event that the aggregate stock ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation's stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a specified testing period. Our existing NOLs and tax credits may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change, our ability to utilize NOLs and tax credits could be further limited by Sections 382 and 383 of the Code. In addition, future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 and 383 of the Code. Our NOLs and tax credits may also be impaired under state law. Accordingly, we may not be able to utilize a material portion of our NOLs and tax credits.

The United Kingdom's withdrawal from the European Union (EU) may have a negative effect on global economic conditions, access to patient markets, and regulatory certainty, which could adversely affect our operations.

Effective January 31, 2020, the U.K. ceased to be a member state of the E.U., a process known as Brexit, and began a transition period, which expired on December 31, 2020.

In December 2020, the U.K. and the EU agreed on a trade and cooperation agreement, under which the EU and the U.K. will now form two separate markets governed by two distinct regulatory and legal regimes. The trade and cooperation agreement covers the general objectives and framework of the relationship between the U.K. and the EU, including as it relates to trade, transport and visas. Under the trade and cooperation agreement, U.K. service suppliers no longer benefit from automatic access to the entire EU single market, U.K. goods no longer benefit from the free movement of goods and there is no longer the free movement of people between the U.K. and the EU. Depending on the application of the terms of the trade and cooperation agreement, we and others could face new regulatory costs and challenges.

Global economic conditions may negatively affect us and may magnify certain risks that affect our business.

Our operations and performance have been, and may continue to be, affected by global economic conditions, including, for example, adverse global economic conditions resulting from the COVID-19 pandemic. See also the risk factor in this Item 1A titled "*Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic.*" As a result of global economic conditions, some third-party payers may delay or be unable to satisfy their reimbursement obligations. Job losses or other economic hardships may also affect patients' ability to afford healthcare as a result of increased co-pay or deductible obligations, greater cost sensitivity to existing co-pay or deductible obligations, lost healthcare insurance coverage or for other reasons. We believe such conditions have led and could continue to lead to reduced demand for our and our collaboration partners' drug products, which could have a material adverse effect on our product sales, business and results of operations.

Further, with rising international trade tensions, our business may be adversely affected following new or increased tariffs that result in the increased global clinical trial costs as a result of international transportation of clinical drug supplies, as well as the costs of materials and products imported into the U.S. Tariffs, trade restrictions or sanctions imposed by the U.S. or other countries could increase the prices of our and our collaboration partners' drug products, affect our and our collaboration partners' ability to commercialize such drug products, or create adverse tax consequences in the U.S. or other countries. As a result, changes in international trade policy, changes in trade agreements and the imposition of tariffs or sanctions by the U.S. or other countries could materially adversely affect our results of operations and financial condition.

Our business could be negatively impacted by corporate citizenship and sustainability matters.

There is an increased focus from certain investors, employees, and other stakeholders concerning corporate citizenship and sustainability matters, which include environmental concerns and social investments. We could fail to meet, or be perceived to fail to meet, the expectations of these certain investors, employees and other stakeholders concerning corporate citizenship and sustainability matters, thereby resulting in a negative impact to our business.

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

Our corporate headquarters, including a substantial portion of our research and development operations, are located in the San Francisco Bay Area, a region known for seismic activity and a potential terrorist target. In addition, we own facilities for the manufacture of products using our 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 collaboration partners and important vendors and suppliers to us or our collaboration partners may also be subject to catastrophic events, such as earthquakes, floods, hurricanes, tornadoes and pandemics any of which could harm our business (including, for example, by disrupting supply chains important to the success of 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

California

We lease a 153,203 square foot facility in the Mission Bay Area of San Francisco, California (Mission Bay Facility), under an operating lease which expires in 2030. The Mission Bay Facility is our corporate headquarters and also includes our research and development operations.

We also lease 135,936 square feet of office space in San Francisco (the Third Street Facility), under an operating lease which expires in 2030. The Third Street Facility provides additional space to support our research and development activities.

Alabama

We currently own a facility consisting of approximately 124,000 square feet in Huntsville, Alabama, which houses laboratories as well as administrative, clinical and commercial manufacturing facilities for our PEGylation and advanced polymer conjugate technology operations as well as manufacturing of APIs for early clinical studies.

India

We own a research and development facility consisting of approximately 88,000 square feet, near Hyderabad, India. In addition, we lease approximately 1,600 square feet of office space in Hyderabad, India, under a three-year operating lease that will expire in 2021.

Item 3. Legal Proceedings

From time to time, we are subject to legal proceedings. We are not currently a party to or aware of any proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. With respect to ongoing securities class action and shareholder derivative litigation, please refer to Item 1A. Risk Factors, including without limitation, “We are involved in legal proceedings and may incur substantial litigation costs and liabilities that will adversely affect our business, financial condition and results of operations.”

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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

	High	Low
Year Ended December 31, 2019		
1st Quarter	$ 46.35	$ 31.58
2nd Quarter	36.30	31.00
3rd Quarter	36.27	16.91
4th Quarter	23.12	15.87
Year Ended December 31, 2020		
1st Quarter	$ 27.96	$ 14.47
2nd Quarter	23.44	16.86
3rd Quarter	24.79	16.59
4th Quarter	19.03	15.77

Holders of Record

As of February 17, 2021, there were approximately 159 holders of record of our common stock.

Dividend Policy

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

There were no sales of unregistered securities and there were no common stock repurchases made during the year ended December 31, 2020.

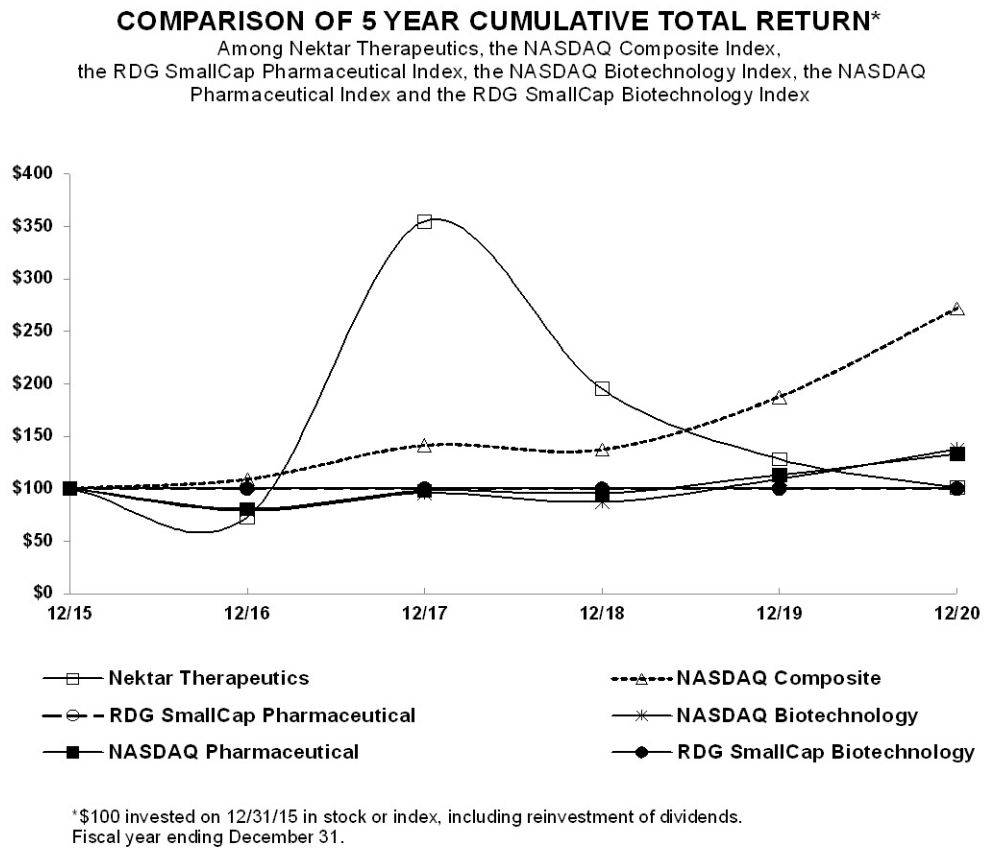
Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our equity compensation plans as of December 31, 2020 is disclosed in Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K and is incorporated herein by reference from our proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Performance Measurement Comparison

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

The following graph compares, for the five year period ended December 31, 2020, the cumulative total stockholder return (change in stock price plus reinvested dividends) of our common stock with (i) the NASDAQ Composite Index, (ii) the NASDAQ Pharmaceutical Index, (iii) the RDG SmallCap Pharmaceutical Index, (iv) the NASDAQ Biotechnology Index and (v) the RDG SmallCap Biotechnology Index. Measurement points are the last trading day of each of our fiscal years ended December 31, 2016, December 31, 2017, December 31, 2018, December 31, 2019 and December 31, 2020. The graph assumes that $100 was invested on December 31, 2015 in the common stock of the Company, the NASDAQ Composite Index, the Nasdaq Pharmaceutical Index, the RDG SmallCap Pharmaceutical Index, the NASDAQ Biotechnology Index and the RDG SmallCap Biotechnology Index and assumes reinvestment of any dividends. The stock price performance in the graph is not intended to forecast or indicate future stock price performance.



Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

Strategic Direction of Our Business

Nektar Therapeutics is a research-based biopharmaceutical company that discovers and develops innovative new medicines in areas of high unmet medical need. Our research and development pipeline of new investigational drugs includes treatments for cancer, autoimmune disease and viral infections. We leverage our proprietary and proven chemistry platform to discover and design new drug candidates. These drug candidates utilize our advanced polymer conjugate technology platforms, which are designed to enable the development of new molecular entities that target known mechanisms of action. We continue to make significant investments in building and advancing our pipeline of proprietary drug candidates as we believe that this is the best strategy to build long-term stockholder value.

In immuno-oncology (I-O), we are executing a clinical development program evaluating bempegaldesleukin (previously referred to as NKTR-214) in combination with Opdivo®, in collaboration with Bristol-Myers Squibb Company (BMS) as well as other independent development work evaluating bempegaldesleukin in combination with other checkpoint inhibitors and agents with potential complementary mechanisms of action. We announced in August of 2019 that the FDA

granted a Breakthrough Therapy designation for bempegaldesleukin in combination with Opdivo® for the treatment of patients with untreated unresectable or metastatic melanoma. We expect our research and development expense to continue to grow over the next few years as we expand and execute our broad clinical development program for bempegaldesleukin.

On January 9, 2020, we and BMS entered into Amendment No. 1 (the Amendment) to the February 13, 2018, Strategic Collaboration Agreement (the BMS Collaboration Agreement). Pursuant to the Amendment, we and BMS agreed to update the Collaboration Development Plan under which we are collaborating and developing bempegaldesleukin. Specifically, pursuant to the updated Collaboration Development Plan, bempegaldesleukin in combination with Opdivo® is currently being evaluated in ongoing registrational trials in first-line metastatic melanoma, first-line cisplatin ineligible, PD-L1 low, locally advanced or metastatic urothelial cancer, first-line metastatic renal cell carcinoma (RCC), muscle-invasive bladder cancer, and adjuvant melanoma, as well as a Phase 1/2 dose escalation and expansion study to evaluate bempegaldesleukin plus Opdivo® in combination with either axitinib or cabozantinib in first line RCC in order to support a future Phase 3 registrational trial. Several other registrational-supporting pediatric and safety studies for the combination of bempegaldesleukin and Opdivo® are currently underway.

The Amendment did not alter the cost-sharing methodology under the BMS Collaboration Agreement. The parties share development costs based on each party's relative ownership interest in the compounds included in the regimen. For example, we share clinical development costs for bempegaldesleukin in combination with Opdivo®, BMS 67.5% and Nektar 32.5%. For costs of manufacturing bempegaldesleukin, however, BMS is responsible for 35% and Nektar is responsible for 65% of costs. BMS supplies Opdivo® free of charge. We also share commercialization related costs, 35% BMS and 65% Nektar, which we present in general and administrative expense. Our share of development costs is limited to an annual cap of $125.0 million. To the extent this annual cap is exceeded, BMS reimburses us for the excess, but we recognize our full share of the research and development expense and recognize the reimbursement as a liability. We repay the liability to the extent that our share of development costs is less than the annual cap in a future year, or by reducing a portion of our share of net profits following the first commercial sale of bempegaldesleukin, if approved.

The BMS Collaboration Agreement entitles Nektar to receive up to $1.455 billion of clinical, regulatory and commercial launch milestones. Of these milestones, we received a non-refundable, creditable milestone payment of $25.0 million for the first patient, first visit in the registrational muscle-invasive bladder cancer trial, which was achieved on January 30, 2020, and also received a non-refundable, non-creditable milestone payment of $25.0 million for the first patient, first visit in the registrational adjuvant melanoma trial, which we achieved on July 27, 2020. Of the remaining milestones, $625.0 million are associated with the approval and launch of bempegaldesleukin in its first indication in the U.S., EU and Japan (which reflects the reduction for the $25.0 million nonrefundable, creditable milestone for the first patient, first visit in the muscle-invasive bladder cancer trial). As a result, whether and when bempegaldesleukin is approved in any indication will have a significant impact on our future results of operations and financial condition.

Outside of the Collaboration Development Plan with BMS, we are conducting and pursuing additional I-O research and development activities evaluating bempegaldesleukin in combination with other agents that have potential complementary mechanisms of action. For example, on February 12, 2021, we entered into a financing and co-development collaboration with SFJ Pharmaceuticals to support a Phase 2/3 registrational clinical study of bempegaldesleukin plus Keytruda® in patients with head and neck cancer whose tumors express PD-L1. In addition, we are independently studying bempegaldesleukin in combination with Keytruda® in a non-small cell lung cancer (NSCLC) Phase 1/2 trial. Our strategic objective is to establish bempegaldesleukin as a key component of many I-O combination regimens with the potential to enhance the standard of care in multiple oncology settings. As a result, we expect to continue to make significant and increasing investments exploring the potential of bempegaldesleukin with mechanisms of action that we believe are synergistic with bempegaldesleukin based on emerging scientific findings in cancer biology and preclinical development work.

With our non-BMS clinical collaborations for bempegaldesleukin, generally each party supports the collaboration based on its expertise and resources. For example, our co-development collaboration agreement with SFJ includes both financial support in the form of up to $150.0 million to fund the Phase 2/3 registrational clinical study of bempegaldesleukin plus Keytruda® in head and neck cancer, as well as operational support in managing the clinical trial. In addition, we announced on February 17, 2021, that we had entered into a clinical trial collaboration and supply agreement with Merck wherein we will receive supplies of Keytruda® at no cost to us.

On October 22, 2020, we received FDA clearance for an Investigational New Drug application for bempegaldesleukin to be evaluated in a Phase 1b clinical study in adult patients who have been diagnosed with mild COVID-19 infection. The study design allows us to evaluate whether bempegaldesleukin's adaptive immune-stimulating mechanism to promote priming and proliferation of T cells and NK cells could be useful in the emerging treatment options for COVID-19. Enrollment in the Phase 1b randomized, double-blind, placebo-controlled study is planned to start in early November.

We are also combining bempegaldesleukin with NKTR-262. NKTR-262 is a small molecule agonist that targets toll-like receptors (TLRs) found on innate immune cells in the body. NKTR-262 is designed to stimulate the innate immune system and promote maturation and activation of antigen-presenting cells (APCs), such as dendritic cells, which are critical to induce the body's adaptive immunity and create antigen-specific cytotoxic T cells. NKTR-262 is being developed as an intra-tumoral injection in combination with systemic bempegaldesleukin to induce an abscopal response and achieve the goal of tumor regression in cancer patients treated with both therapies. The Phase 1/2 dose-escalation and expansion trial in patients with solid tumors is currently ongoing.

Our next most advanced I-O program is NKTR-255. NKTR-255 is a biologic that targets the IL-15 pathway in order to activate the body's innate and adaptive immunity. Activation of the IL-15 pathway enhances the survival and function of NK cells and induces survival of both effector and CD8 memory T cells. Recombinant human IL-15 is rapidly cleared from the body and must be administered frequently and in high doses limiting its utility due to toxicity. Through optimal engagement of the IL-15 receptor complex, NKTR-255 is designed to enhance functional NK cell populations and formation of long-term immunological memory, which may lead to sustained anti-tumor immune response. Preclinical findings suggest NKTR-255 has the potential to synergistically combine with antibody-dependent cellular toxicity molecules as well as enhance CAR-T therapies. We have initiated a Phase 1 dose escalation and expansion clinical study of NKTR-255 in adults with relapsed or refractory non-Hodgkin lymphoma or multiple myeloma, as well as a Phase 1/2 clinical study of NKTR-255 in patients with relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer. At the 2020 Society for Immunotherapy of Cancer (SITC) Annual Meeting, we reported early findings from the Phase 1 dose escalation study that demonstrated expansion of lymphocytes, increases in NK and CD8+ T cells in patients with multiple myeloma and non-Hodgkin lymphoma.

In immunology, we are developing NKTR-358, which is designed to correct the underlying immune system imbalance in the body that occurs in patients with autoimmune disease. NKTR-358 is designed to optimally target the IL-2 receptor complex in order to stimulate proliferation and growth of regulatory T cells. NKTR-358 is being developed as a once or twice monthly self-administered injection for a number of autoimmune diseases. In 2017, we entered into a worldwide license agreement with Eli Lilly and Company (Lilly) to co-develop NKTR-358. We received an initial payment of $150.0 million in September 2017 and are eligible for up to an additional $250.0 million for development and regulatory milestones. We were responsible for completing Phase 1 clinical development and certain drug product development and supply activities. We also share Phase 2 development costs with Lilly, with Lilly responsible for 75% and Nektar responsible for 25% of these costs. We will have the option to contribute funding to Phase 3 development on an indication-by-indication basis, ranging from zero to 25% of the Phase 3 development costs and receive a royalty rate on global NKTR-358 sales up to the low twenties based upon our Phase 3 development cost contribution and the level of annual global product sales. Lilly will be responsible for all costs of global commercialization and we will have an option to co-promote in the U.S. under certain conditions.

We have completed a Phase 1 dose-finding trial of NKTR-358 to evaluate single-ascending doses of NKTR-358 in approximately 100 healthy subjects. Results from this study demonstrated a multiple-fold increase in regulatory T cells with no change in CD8 positive or natural killer cell levels and no dose-limiting toxicities were observed. We also completed treatment of a Phase 1 multiple-ascending dose trial to evaluate NKTR-358 in patients with SLE. Lilly is conducting two Phase 1b studies in patients with psoriasis and atopic dermatitis and has initiated Phase 2 studies in SLE and ulcerative colitis. Under the terms of the agreement, Lilly is to initiate two additional Phase 2 studies in other auto-immune diseases.

We were developing NKTR-181 for the treatment of chronic low back pain in adult patients and had submitted an NDA for NKTR-181. At the FDA advisory committee meeting held on January 14, 2020, the joint FDA Anesthetic Drug Products Advisory Committee and Drug Safety and Risk Management Committee did not recommend approval of NKTR-181, and, as a result, we withdrew the NDA and decided to make no further investment commitments to this program.

The level of our future research and development investment will depend on a number of uncertainties including clinical outcomes, future studies required to advance programs to regulatory approval, and the economics related to potential future collaborations that may include up-front payments, development funding, milestones, and royalties. Over the next several years, we plan to continue to make significant investments to advance our early drug candidate pipeline.

We have historically derived all of our revenue and substantial amounts of operating capital from our collaboration agreements including the BMS Collaboration Agreement, pursuant to which we have recognized $1.11 billion in revenue and recorded $790.2 million in additional paid in capital for shares of our common stock issued in the transaction. While in the near-term we continue to expect to generate substantially all of our revenue from collaboration arrangements, including the potential remaining $1.405 billion in development and regulatory milestones under the BMS collaboration, in the medium- to long-term, our plan is to generate significant commercial revenue from our proprietary drugs including bempegaldesleukin. Since we do not have experience commercializing products or an established commercialization organization, there will be substantial risks and uncertainties in future years as we build commercial, organizational, and operational capabilities.

Up until September 30, 2020, we received royalties and milestones from two approved drugs: MOVANTIK®, for which we have a collaboration with AstraZeneca; and ADYNOVATE®, for which we have collaboration agreement with Baxalta Inc. (a wholly owned-subsidiary of Takeda Pharmaceutical Company Ltd.). MOVANTIK® is an oral, peripherally-acting mu-opioid antagonist for the treatment of opioid-induced constipation in adult patients with non-cancer pain which was approved by the FDA and subsequently launched in March 2015 (wherein in the EU, MOVANTIK® is sold as MOVENTIG® and is indicated for the treatment of opioid-induced constipation in adult patients who have an inadequate response to laxatives, which was approved by health authorities in the European Union and many other countries beginning in 2014). ADYNOVATE®, a half-life extension product of Factor VIII was approved by the FDA in late 2015 for use in adults and adolescents, aged 12 years and older, who have Hemophilia A (wherein in the EU, ADYNOVATE® is sold as ADYNOVI™ and was approved by health authorities in Europe in January 2018, and has also been approved in many other countries).

Beginning on October 1, 2020, our rights to receive royalties arising from the worldwide net sales of MOVANTIK®/MOVANTIG® and ADYNOVATE®/ADYNOVI®, as well as REBINYN® and specified licensed products under a Right to Sublicense Agreement, dated October 27, 2017, were sold for $150.0 million pursuant to a capped sale arrangement to entities managed by Healthcare Royalty Management, LLC (collectively, HCR) pursuant to a purchase and sale agreement (the 2020 Purchase and Sale Agreement) entered into on December 16, 2020. With regard to the capped sale arrangement, the 2020 Purchase and Sale Agreement will automatically expire, and HCR's right to receive the sold royalties, will cease when HCR has received payments of equalling $210.0 million (the 2025 Threshold), if the 2025 Threshold is achieved on or prior to December 31, 2025, or $240.0 million, if the 2025 Threshold is not achieved on or prior to December 31, 2025 (or, if earlier, the date on which the last royalty payment under the relevant license agreements is made). After the 2020 Purchase and Sale Agreement expires, all rights to receive these royalties return to Nektar.

Our business is subject to significant risks, including the risks inherent in our development efforts, the results of our clinical trials, our dependence on the clinical development and commercialization efforts by our collaboration partners, uncertainties associated with obtaining and enforcing patents, the lengthy and expensive regulatory approval process and competition from other products. For a discussion of these and some of the other key risks and uncertainties affecting our business, see Item 1A. Risk Factors.

While the approved drugs and clinical development programs described above are key elements of our future success, we believe it is critically important that we continue to make substantial investments in our earlier-stage drug candidate pipeline. We have several drug candidates in earlier stage clinical development or being explored in research that we are preparing to advance into the clinic in future years. We are also advancing several other drug candidates in preclinical development in the areas of I-O, immunology, and other therapeutic indications. We believe that our substantial investment in research and development has the potential to create significant value if one or more of our drug candidates demonstrates positive clinical results, receives regulatory approval in one or more major markets and achieves commercial success. Drug research and development is an inherently uncertain process with a high risk of failure at every stage prior to approval. The timing and outcome of clinical trial results are extremely difficult to predict. Clinical development successes and failures can have a disproportionately positive or negative impact on our scientific and medical prospects, financial condition and prospects, results of operations and market value.

Effects of the COVID-19 Pandemic

In March 2020, COVID-19, the disease resulting from a novel strain of coronavirus infection, was declared a global pandemic. Many countries, including the United States and India, initially took steps such as restricting travel, closing schools, and issuing shelter-in-place orders to slow or moderate the spread of the virus. More recently, states and countries have adopted individualized approaches to respond to the COVID-19 pandemic. In particular, local resurgences in number and rates of infections, and the further spread of the virus may result in the return of prior restrictions or the institution of restrictions in the affected areas. Although vaccines intended to reduce the incidence of infection are in development, it remains unclear how long the negative impacts caused by the coronavirus will continue into the future.

Currently, with respect to the operation of our facilities, we are closely adhering to applicable guidelines and orders. Essential operations in research, manufacturing and maintenance that occur within our facilities are continuing in accordance with the permissions granted under government ordinances. Across all our locations, we have instituted a temporary work from home policy for all office personnel who do not need to work on site to maintain productivity. At this time, we have not identified a material change to our productivity as a result of these measures, but this could change, particularly if restricted travel, closed schools, and shelter-in-place orders are not removed or significantly eased in the areas in which we operate.

The safety and well-being of our employees, and the patients and healthcare providers in our clinical trial programs, are of first and foremost importance to us. We believe that the safety measures we are taking and instructing our contractors to

take in response to the COVID-19 pandemic meet or exceed the guidance and requirements issued from government and public health officials.

We and our partners are currently engaged in the clinical testing of our proprietary drug candidates and the COVID-19 pandemic introduces significant challenges to our clinical development programs which are central to our business. The evolving situation around the COVID-19 pandemic, along with the resulting public health guidance measures that have been put into place, have thus far had varying impacts on the clinical testing of our proprietary drug candidates depending on the therapeutic indication, geographic distribution of clinical trial sites, the clinical trial stage, and, in certain cases, our partners' general corporate approach to the COVID-19 pandemic. The rapid development and fluidity of the COVID-19 pandemic precludes any firm estimates as to the ultimate effect this disease will have on our clinical trials, our operations and our business. As a result, any current assessment of the effects of the COVID-19 pandemic, including the impact of this disease on our specific clinical programs as discussed below, is difficult to predict and subject to change.

Specifically, for the ongoing registrational clinical trials studying the combination of bempegaldesleukin and Opdivo® in cancer indications being led by Nektar (such as adjuvant melanoma, RCC and first-line cisplatin ineligible, PD-L1 low, locally advanced or metastatic urothelial cancer), although we have not seen evidence to date that the COVID-19 pandemic has had a significant impact on enrollment for these trials, the future impact of the COVID-19 pandemic on these trials is very difficult to predict and, with regard to individual clinical trial sites within these studies, will likely vary by the geographic region in which they are located.

For Nektar's Phase 1/2 trial studying bempegaldesleukin and Keytruda® in NSCLC, although the COVID-19 pandemic delayed the initiation of certain investigator sites in Europe earlier in the trial, we currently expect to have initial safety as well as preliminary overall response rate data for the dose-escalation and 0.006 mg/kg NSCLC expansion cohorts of this study in the second half of 2021.

With regard to Nektar's ongoing clinical study of NKTR-262 (the Phase 1/2 REVEAL study), this study has largely remained on track although we have experienced some challenges with new investigator site initiations. Nektar's Phase 1 clinical study of NKTR-255 in patients with relapsed/refractory hematologic malignancies has enrolled slower than anticipated due to challenges caused by the COVID-19 pandemic, and the dose-escalation monotherapy portion of the study is expected to be completed in the first half of 2021. For both of these Nektar-run clinical programs, the ongoing COVID-19 pandemic could still impact investigator site initiations and trial enrollment despite our mitigation efforts.

For clinical studies of our proprietary drug candidates being run by our partners, BMS is enrolling patients in each of the BMS-led registration studies and has re-started initiation of new investigator sites in the third quarter of 2020 following a pause in the initiation of new investigator sites it instituted for all of its studies as a result of the COVID-19 pandemic. In the summer of 2020, BMS extended their timeline estimates by approximately six months for the first data read-outs for the first-line melanoma trial. We will continue to monitor the progress of enrollment of the BMS-led studies and projections for topline clinical outcome data. Our partner Lilly, which is running clinical trials of NKTR-358, has indicated it will likely have delays of at least three to six months following its temporary suspension of recruitment for the ongoing Phase 1b studies in atopic dermatitis and psoriasis as a result of the COVID-19 pandemic. Lilly recently started a Phase 2 study in moderate to severe lupus patients in October and has initiated an additional Phase 2 study in ulcerative colitis. The rapid development and fluidity of the COVID-19 pandemic preclude any firm estimates as to the ultimate effect this disease will have on our collaborators' clinical trials. As a result, there remains substantial uncertainty as to potential impacts on our collaboration partner studies.

With regard to our IND-enabling research, although the COVID-19 pandemic has caused us to reduce the number of employees working at our sites, a subset of our research-based employees continues to conduct laboratory work in our research facilities (which is permitted under the applicable government ordinances). As a result, we continue to make progress in the identification of new drug candidates.

In an effort to mitigate the negative effects of the COVID-19 pandemic on our clinical trials (both in terms of clinical trial timelines and integrity of clinical study data), we have taken steps to help our clinical trial investigators and their teams continue to provide care and uninterrupted access to their patients. Particularly, in the context of our clinical trials directed to investigational cancer treatments, for example, we are actively working with our study sites to implement measures to prevent study protocol violations, to minimize any disruption of treatment visits, to accommodate for patient visit delays caused by limited access to healthcare facilities, to leverage alternative methods for maintaining clinical trial integrity, and to properly record patient event data that may be influenced by the COVID-19 pandemic. In addition, to the extent that the integrity of individual patient data is negatively affected by the COVID-19 pandemic, we will consider measures to maintain the integrity of the clinical study overall (such as over-enrolling patients into the study and removing all patients originating from an affected study site when performing statistical analyses of study endpoints). Although these measures may have the benefit of preserving the overall integrity of a clinical study, implementing these measures could result in a delay in completing the study.

In this respect, we are also incorporating recent direction and flexibility provided by regulatory authorities, including the FDA in its March 18, 2020 Guidance (most recently updated January 27, 2021) entitled "FDA Guidance on Conduct of Clinical Trials of Medicinal Products during COVID-19 Public Health Emergency." This Guidance is continually being updated by FDA and updates can be found on the FDA's website at www.fda.gov. In addition, we may refer to guidance documents from other regulatory agencies, such as, for example, the European Medicines Agency's "Implications of coronavirus disease (COVID-19) on methodological aspects of ongoing clinical trials" found on www.ema.europa.eu, which are also continually being updated.

With respect to financing our near-term business needs, as set forth below in "Key Developments and Trends in Liquidity and Capital Resources," we estimate we have working capital to fund our current business plans through at least the next twelve months.

Key Developments and Trends in Liquidity and Capital Resources

We estimate that we have working capital to fund our current business plans for at least the next twelve months from the date of filing. At December 31, 2020, we had approximately $1.2 billion in cash and investments in marketable securities. On April 13, 2020, we repaid the principal and accrued interest of our senior notes totaling $254.8 million. See Note 5 to our Consolidated Financial Statements for additional information.

Results of Operations

Years Ended December 31, 2020 and 2019

Additional information required by Item 7 for the year ended December 31, 2018 can be found in Item 7 in our Annual Report on Form 10-K for the year December 31, 2019, filed with the SEC on February 28, 2020 and is incorporated herein by reference.

Revenue (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease)	Percentage Increase/ (Decrease)
	2020	2019	2020 vs. 2019	2020 vs. 2019
Product sales	$ 17,504	$ 20,117	$ (2,613)	(13)%
Royalty revenue	30,999	41,222	(10,223)	(25)%
Non cash royalty revenue related to sale of future royalties	48,563	36,303	12,260	34 %
License, collaboration and other revenue	55,849	16,975	38,874	> 100%
Total revenue	$ 152,915	$ 114,617	$ 38,298	33 %

Our revenue is derived from our collaboration agreements, under which we may receive product sales revenue, royalties, and license fees, as well as development and sales milestones and other contingent payments. We recognize revenue when we transfer promised goods or services to our collaboration partners. The amount of upfront fees received under our license and collaboration agreements allocated to continuing obligations, such as development or manufacturing and supply commitments, is generally recognized as we deliver products or provide development services. 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 timing and amount of products and services expected to be required to fulfill our performance obligations. Given the uncertainties in research and development collaborations, significant judgment is required to make these estimates.

Product sales

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

Product sales decreased for the year ended December 31, 2020 as compared to the year ended December 31, 2019 due to decreased demand from our collaboration partners.

We expect product sales in 2021 to increase compared to 2020 due to increased demand from our collaboration partners.

Royalty revenue

As discussed in Note 7 to our Consolidated Financial Statements, on December 16, 2020, we entered into the 2020 Purchase and Sale Agreement with entities managed by Healthcare Royalty Management, LLC (collectively, HCR), under which we agreed to sell to HCR certain of our rights to receive royalty payments arising on worldwide net sales of MOVANTIK®, ADYNOVATE® and REBINYN® beginning October 1, 2020. As a result, we recognized royalty revenue for these products only for the nine months ended September 30, 2020, and recognized these royalties as non-cash royalty revenue for the three months ended December 31, 2020. Accordingly, royalty revenue decreased for the year ended December 31, 2020 as compared to the year ended December 31, 2019. Please see Note 7 to our Consolidated Financial Statements for additional information on the 2020 Purchase and Sale Agreement.

We do not expect to recognize any royalty revenue during 2021, because we will recognize all such royalties as non-cash royalty revenue as a result of the 2020 Purchase and Sale Agreement.

Non-cash royalty revenue related to sale of future royalties

For a discussion of our Non-cash royalty revenue, please see our discussion below “Non-Cash Royalty Revenue and Non-Cash Interest Expense.”

License, collaboration and other revenue

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

During the year ended December 31, 2020, pursuant to the BMS Collaboration Agreement, we recognized $25.0 million for the achievement of the first patient, first visit in the registrational muscle-invasive bladder cancer trial, which was achieved on January 30, 2020, and $25.0 million for the achievement of the first patient, first visit in the registrational adjuvant melanoma trial, which we achieved on July 27, 2020. As a result of these milestones, license, collaboration and other revenue increased during the year ended December 31, 2020 as compared to the year ended December 31, 2019.

We expect that our license, collaboration and other revenue will decrease in 2021 compared to 2020 as a result of the recognition of these milestones in 2020 under our BMS Collaboration Agreement.

The timing and future success of our drug development programs and those of our collaboration partners are subject to a number of risks and uncertainties. See Item 1A. Risk Factors for discussion of the risks associated with the complex nature of our collaboration agreements.

Revenue by geography (in thousands)

Revenue by geographic area is based on the headquarters or shipping locations of our partners. The following table sets forth revenue by geographic area:

	Year Ended December 31,	
	2020	2019
United States	$ 64,966	$ 27,093
Rest of World	87,949	87,524
Total revenue	$ 152,915	$ 114,617

Revenue attributable to the U.S. for the year ended December 31, 2020 was higher than for the year ended December 31, 2019 primarily due to the recognition of $50.0 million of milestones from the BMS Collaboration Agreement as described above.

Cost of goods sold (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
Cost of goods sold	$ 19,477	$ 21,374	$ (1,897)	(9)%
Product gross profit (loss)	$ (1,973)	$ (1,257)	$ (716)	(57)%
Product gross margin	(11)%	(6)%		

Our strategy is to manufacture and supply polymer 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. We have elected to only enter into and maintain those manufacturing relationships associated with long-term collaboration agreements which include multiple sources of revenue, which we view holistically and in aggregate. We have a predominantly fixed cost base associated with our manufacturing activities. As a result, our product gross profit and margin are significantly impacted by the mix and volume of products sold in each period.

Product gross margin worsened for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to a less favorable product mix in 2020 compared to 2019. We have a manufacturing arrangement with a partner that includes a fixed price which is less than the fully burdened manufacturing cost for the reagent, and we expect this situation to continue with this partner in future years. In addition to product sales from reagent materials supplied to the partner where our sales are less than our fully burdened manufacturing cost, we also receive royalty revenue from this collaboration. In the years ended December 31, 2020 and 2019, the royalty revenue from this collaboration exceeded the related negative gross profit.

We expect product gross margin to continue to fluctuate in future periods depending on the level and mix of manufacturing orders from our customers. We currently expect product gross margin to be negative in 2021 as a result of the anticipated unfavorable product mix described above.

Research and development expense (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
Research and development expense	$ 408,678	$ 434,566	$ (25,888)	(6)%

Research and development expense consists primarily of clinical study costs, contract manufacturing costs, direct costs of outside research, materials, supplies, licenses and fees as well as personnel costs (including salaries, benefits, and stock-based compensation). Research and development expense also includes certain overhead allocations consisting of support and facilities-related costs. Where we perform research and development activities under a clinical joint development collaboration, such as our collaboration with BMS, we record the expense reimbursement from our partners as a reduction to research and development expense, and we record our share of our partners' expenses as an increase to research and development expense.

Research and development expense decreased for the year ended December 31, 2020 compared to the year ended December 31, 2019. The clinical trial costs for our bempegaldesleukin, NKTR-255 and NKR-262 programs increased for the year ended December 31, 2020 compared to the year ended December 31, 2019. These increased costs were offset by decreases in pre-commercial manufacturing costs for NKTR-181 which we incurred during 2019, manufacturing costs for clinical trials materials, and costs for our clinical development program for NKTR-358. As discussed above, as a result of our decision to withdraw the NKTR-181 NDA in January 2020, we present all costs related to the wind-down of the NKTR-181 program, including pre-commercial manufacturing activities, in the Impairment of assets and other costs related to terminated program line in our Consolidated Statements of Operations for the year ended December 31, 2020. The decrease in NKTR-358 development costs reflects the completion of our Phase 1 clinical development and drug product development deliverables, for which we were responsible for 100% of costs, to the Phase 1b and Phase 2 development, for which we are responsible for 25% of costs and Lilly is responsible for 75% of costs. Additionally, during the years ended December 31, 2020 and 2019, we recorded net reductions to research and development expense for BMS' reimbursements of our costs of $128.2 million and $105.4 million, respectively. Under the BMS Collaboration Agreement, BMS generally bears 67.5% of development costs for bempegaldesleukin in combination with Opdivo® and 35% of costs for manufacturing bempegaldesleukin. Please see Note 10 to our Consolidated Financial Statements for additional information regarding our BMS Collaboration Agreement.

We utilize our employee and infrastructure resources across multiple development and research programs. The following table shows expenses incurred for clinical and regulatory services, clinical supplies, and preclinical study support provided by third parties as well as contract manufacturing costs for each of our drug candidates. The table also presents other costs and overhead consisting of personnel, facilities and other indirect costs (in thousands):

	Clinical Study Status(1)	Year Ended December 31, 2020	Year Ended December 31, 2019
Bempegaldesleukin (CD122-preferential IL-2 pathway agonist)(2)	Phase 1/2/3	$ 131,900	$ 109,355
NKTR-358 (cytokine Treg stimulant)	Phase 1/2	20,153	27,319
NKTR-255 (IL-15 receptor agonist)	Phase 1	14,542	12,278
NKTR-262 (toll-like receptor agonist)	Phase 1/2	8,928	11,379
ONZEALD™ (next-generation topoisomerase I inhibitor)	Terminated	4,313	12,733
NKTR-181 (orally-available mu-opioid analgesic molecule)	Terminated	1,931	29,830
Other drug candidates	Various	13,332	18,585
Total clinical development, contract manufacturing and other third party costs		195,099	221,479
Personnel, overhead and other costs(3)		147,200	141,719
Stock-based compensation and depreciation		66,379	71,368
Research and development expense		$ 408,678	$ 434,566

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

(2) Development expenses for bempegaldesleukin include expenses under the BMS Collaboration Agreement, other collaboration agreements and our own independent studies. The amounts for the years ended December 31, 2020 and 2019 include net reductions of $90.4 million and $70.5 million, respectively, of development cost reimbursements from BMS under our collaboration, net of our share of BMS' costs.

(3) The amounts for the year ended December 31, 2020 and 2019 include reductions of $37.8 million and $34.9 million of employee cost reimbursements from BMS under our collaboration.

We expect research and development expense to increase for 2021 compared to 2020 primarily as a result of our continued development of bempegaldesleukin, including studies outside of the BMS Collaboration Agreement. In addition, we are collaborating with Lilly to develop NKTR-358, and Lilly will be conducting the recently started Phase 2 studies and other ongoing studies in 2021, for which we are responsible for 25% of costs. We are continuing to enroll patients in the expansion cohorts of the Phase 1/2 study for NKTR-262 in combination with bempegaldesleukin. We will continue our Phase 1/2 dose-escalation and expansion studies for NKTR-255 in multiple myeloma, non-Hodgkin lymphoma, relapsed or refractory head and neck squamous cell carcinoma, and colorectal cancer. The timing and amount of our future clinical investments will vary significantly based upon our evaluation of ongoing clinical results and the structure, timing, and scope of additional clinical development programs and potential clinical collaboration partnerships (if any) for these programs.

In addition to our drug candidates that we plan to evaluate in clinical development during 2021 and beyond, we believe it is vitally important to continue our substantial investment in a pipeline of new drug candidates to continue to build the value of our drug candidate pipeline and our business. Our discovery research organization is identifying new drug candidates by applying our polymer conjugate technology platform to a wide range of molecule classes, including small molecules and large proteins, peptides and antibodies, across multiple therapeutic areas. We also plan from time to time to evaluate opportunities to in-license potential drug candidates from third parties to add to our drug discovery and development pipeline. We plan to continue to advance our most promising early research drug candidates into preclinical development with the objective to advance these early stage research programs to human clinical studies over the next several years.

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

- the number of patients required for a given clinical study design;
- the length of time required to enroll clinical study participants;
- the number and location of sites included in the clinical studies;

- the clinical study designs required by the health authorities (i.e. primary and secondary endpoints as well as the size of the study population needed to demonstrate efficacy and safety outcomes);
- the potential for changing standards of care for the target patient population;
- the competition for patient recruitment from competitive drug candidates being studied in the same clinical setting;
- the costs of producing supplies of the drug candidates needed for clinical trials and regulatory submissions;
- the safety and efficacy profile of the drug candidate;
- the use of clinical research organizations to assist with the management of the trials; and
- the costs and timing of, and the ability to secure, approvals from government health authorities.

Furthermore, our strategy includes the potential of entering into collaborations with third parties to participate in the development and commercialization of some of our drug candidates such as those collaborations that we have already completed for bempegaldesleukin, NKTR-358, or clinical collaborations where we would share costs and operational responsibility with a partner. In certain situations, the clinical development program and process for a drug candidate and the estimated completion date will largely be under the control of that third party and not under our control. We cannot forecast with any degree of certainty which of our drug candidates will be subject to future collaborations or how such arrangements would affect our development plans or capital requirements.

As noted above, the evolving situation around the COVID-19 pandemic has had varying impacts on the clinical testing of our proprietary drug candidates depending on the therapeutic indication, geographic distribution of clinical trial sites, the clinical trial stage, and, in certain cases, our partners' general corporate approach to the pandemic. We have experienced delays of approximately three months for some Nektar-run, earlier-stage clinical studies (such as the Phase 1/2 trial studying bempegaldesleukin and Keytruda® in NSCLC and the Phase 1 dose escalation trial studying NKTR-255 in patients with relapsed/refractory hematologic malignancies) and given the evolving situation around the COVID-19 pandemic it is possible there could be additional delays in the future. In addition, for certain clinical studies involving our proprietary drug candidates that are run by our partners, study timelines have been delayed at least three to six months, and, given the evolving situation around the COVID-19 pandemic, it is possible there could be additional delays in the future. As a result of these delays and potential delays, we may incur additional costs associated with these clinical trials. At this time, we cannot estimate if such increases would have a material effect on our results of operations or financial position.

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

General and administrative expense (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
General and administrative expense	$ 104,682	$ 98,712	$ 5,970	6 %

General and administrative expense includes the cost of administrative staffing, business development, marketing, finance, and legal activities. General and administrative expense increased for the year ended December 31, 2020 compared with the year ended December 31, 2019 primarily due to increased personnel costs as we begin a stage appropriate build of our commercial capability to co-commercialize bempegaldesleukin with BMS. We expect general and administrative expense to increase for 2021 compared to 2020, as we continue to build our commercial capabilities.

Impairment of Assets and Other Costs for Terminated Program

On January 14, 2020, the joint FDA Anesthetic Drug Products Advisory Committee and Drug Safety and Risk Management Committee did not recommend approval of our NDA for NKTR-181. As a result, we withdrew our NDA and decided to make no further investments in this program. On February 26, 2020, the Audit Committee of our Board of Directors approved management's plan for the wind-down of the NKTR-181 program.

As a result, in the three months ended March 31, 2020, we wrote off $19.7 million of advance payments to contract manufacturers for commercial batches of NKTR-181. We also incurred $25.5 million of additional costs, primarily for non-cancellable commitments to our contract manufacturers and severance costs.

Interest expense (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
Interest expense	$ 6,851	$ 21,310	$ (14,459)	(68)%

Interest expense decreased for the year ended December 31, 2020 as compared to the year ended December 31, 2019. In October 2015, we issued $250.0 million in aggregate principal amount of 7.75% senior secured notes due October 2020. Interest on the 7.75% senior secured notes was calculated based on actual days outstanding over a 360 day year. On April 13, 2020, we redeemed the senior secured notes at par and therefore repaid the principal of $250.0 million and accrued interest of $4.8 million. After the repayment, we incurred no interest expense.

Non-Cash Royalty Revenue and Non-Cash Interest Expense (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
2012 Purchase and Sale Agreement:				
Non-cash royalty revenue related to sale of future royalties	$ 37,938	$ 36,303	$ 1,635	5 %
Non-cash interest expense on liability related to sale of future royalties	$ 30,267	$ 25,044	$ 5,223	21 %
Interest rates - end of period presented				
Implicit interest rate over the life of the agreement	20.2 %	19.5 %		
Prospective effective interest rate	48.0 %	38.0 %		
2020 Purchase and Sale Agreement:				
Non-cash royalty revenue related to sale of future royalties	$ 10,625	$ —	$ 10,625	>100%
Non-cash interest expense on liability related to sale of future royalties	$ —	$ —	$ —	—
Interest rates - end of period presented				
Implicit interest rate over the life of the agreement	16.0 %	N/A		
Prospective effective interest rate	16.0 %	N/A		
Total non-cash royalty revenue related to sale of future royalties	$ 48,563	$ 36,303	$ 12,260	34 %
Total non-cash interest expense on liability related to sale of future royalties	$ 30,267	$ 25,044	$ 5,223	21 %

As discussed in Note 7 to our Consolidated Financial Statements, we continue to recognize non-cash royalty revenue for the 2012 Purchase and Sale Agreement and the 2020 Purchase and Sale Agreement (as defined in Note 7).

2012 Purchase and Sale Agreement

Non-cash royalty revenue for the 2012 Purchase and Sale Agreement increased for the year ended December 31, 2020 as compared to the year ended December 31, 2019 due to increases in net sales of CIMZIA® and MIRCERA®. Non-cash interest expense for the 2012 Purchase and Sales Agreement increased for the year ended December 31, 2020 compared to the year ended December 31, 2019 due to an increase in the estimated implicit interest rate over the life of the transaction, as disclosed above. When forecasted future revenues rise, this results in an increase to the estimated implicit interest rate over the life of the transaction, which, in turn, increases the prospective effective interest rate in the current and future periods. The increase in the estimated implicit rate from the year-ended December 31, 2019 to the year ended December 31, 2020 resulted from an increase in estimate future net sales of CIMZIA®.

Over the term of this arrangement, the net proceeds of the transaction of $114.0 million, consisting of the original proceeds of $124.0 million, net of $10.0 million in payments from us to RPI, is amortized as the difference between the non-cash royalty revenue and the non-cash interest expense. To date, we have amortized $48.1 million of the net proceeds. We periodically assess future non-cash royalty revenues, and we may adjust the prospective effective interest rate based on our best estimates of future non-cash royalty revenue such that future non-cash interest expense will amortize the remaining $65.9 million of the net proceeds, since RPI (as defined in Note 7) receives all of the benefits of the increases in future royalties. There are a number of factors that could materially affect our estimated interest rate, in particular, the amount and timing of royalty payments from future net sales of CIMZIA® and MIRCERA®. As a result, future interest rates could differ significantly, and we will adjust any such change in our estimated interest rate prospectively.

2020 Purchase and Sale Agreement

As discussed in Note 7 to the Consolidated Finance Statements and above under Royalty Revenue, we began recognizing non-cash royalty revenue for the 2020 Purchase and Sale Agreement in the three months ended December 31, 2020 and did not recognize any non-cash interest expense due to an immaterial amount of time to impute interest from closing to December 31, 2020. Non-cash royalty revenue and non-cash interest expense will increase for 2021 as we will recognize them for the full year. Our estimate of the imputed interest rate reflects our estimates for sales of MOVANTIK®, ADYNOVATE® and REBINYN®, which result in meeting the 2025 Threshold (as defined in Note 7). Because the 2025 Threshold of $210.0 million and the increase in the threshold to $240.0 million (if the 2025 Threshold is not achieved) limit the amount of royalties payable to HCR, the potential for the implicit interest rate to vary is more limited. Instead, we will receive the benefit of net sales if they exceed the threshold, but do not bear risk of loss or payments to HCR if royalties are less than expected.

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

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
Interest income and other income (expense), net	$ 18,282	$ 46,335	$ (28,053)	(61)%

Interest income and other income (expense), net decreased for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to decreases in market interest rates and lower investment balances which have been utilized to fund our operations and the repayment of our senior notes on April 13, 2020. The effective interest rate earned on investments which we purchased after the COVID-19 pandemic began has been significantly lower than historical interest rates, and we expect this trend to continue. We expect that our interest income and other income (expense), net will decrease for 2021 compared to 2020 due to continued lower interest rates and lower investments balances as we fund our operations.

Income Tax Expense (in thousands, except percentages)

	Year Ended December 31,		Increase/ (Decrease) 2020 vs. 2019	Percentage Increase/ (Decrease) 2020 vs. 2019
	2020	2019		
Provision for income taxes	$ 493	$ 613	$ (120)	(20)%

For the years ended December 31, 2020 and 2019, our income tax expense primarily results from taxable income in our Nektar India subsidiary.

Due to our expected net loss in 2021, we expect income tax expense to be consistent with 2020 and reflect taxable income for our Nektar India operations.

Liquidity and Capital Resources

We have financed our operations primarily through revenue from upfront and milestone payments under our strategic collaboration agreements, royalties and product sales, as well as public offering and private placements of debt and equity securities. At December 31, 2020, we had approximately $1.2 billion in cash and investments in marketable securities. As noted above, on April 13, 2020, we repaid the principal and accrued interest of our senior notes totaling $254.8 million.

We estimate that we have working capital to fund our current business plans for at least the next twelve months from the date of filing. We expect the clinical development of our proprietary drug candidates including bempegaldesleukin, NKTR-358, NKTR-262 and NKTR-255 will continue to require significant investment to continue to advance in clinical development with the objective of obtaining regulatory approval or entering into one or more collaboration partnerships. In the past, we have received a number of significant payments from collaboration agreements and other significant transactions. In April 2018, we received a total of $1.85 billion from BMS including a $1.0 billion upfront payment and an $850.0 million premium investment in our common stock. In July 2017, we entered into a collaboration agreement for NKTR-358 with Lilly, under which we received a $150.0 million upfront payment. In the future, we expect to receive substantial payments from our collaboration agreements with BMS and Lilly. In particular, under the BMS Collaboration Agreement, we are entitled to approximately $1.455 billion of clinical, regulatory and commercial launch milestones (of which, we have received $50.0 million). Of the remaining milestones, $625.0 million are associated with approval and launch of bempegaldesleukin in its first indication in the U.S., EU and Japan (which reflects the reduction for the $25.0 million nonrefundable, creditable milestone for the first patient, first visit in the muscle-invasive bladder cancer trial that BMS paid to us in March 2020). As a result, whether and when bempegaldesleukin is approved in any indication will have a significant impact on our future liquidity and capital resources. We have no credit facility or any other sources of committed capital.

On February 12, 2021, we entered into a co-development agreement with SFJ Pharmaceuticals (SFJ), pursuant to which SFJ will pay up to $150.0 million in committed funding to support a Phase 2/3 study of bempegaldesleukin in combination with pembrolizumab (Keytruda®) for first-line treatment of patients with metastatic or unresectable recurrent squamous cell carcinoma of the head and neck (the SCCHN Clinical Trial) whose tumors express PD-L1 (the SCCHN Indication). In exchange for funding the SCCHN Clinical Trial, SFJ is entitled to a series of contingent success-based payments with the first payment due after substantial completion of the SCCHN Clinical Trial which we currently expect to occur in late 2024 or early 2025 as follows: (i) if bempegaldesleukin receives FDA approval for first line metastatic melanoma or the SCCHN Indication, we would pay SFJ $450.0 million over a series of five annual payments with the first annual payment being $30.0 million; (ii) if bempegaldesleukin receives FDA approval in both first line metastatic melanoma and the SCCHN indication, we would pay SFJ an additional $150.0 million paid over a series of seven annual payments; and (iii) if bempegaldesleukin receives FDA approval in an indication other than first line metastatic melanoma or the SCCHN indication, a one-time payment of $37.5 million. See Note 14 to our Consolidated Financial Statements for additional information.

In the short term, we do not anticipate that the effects of the COVID-19 pandemic will have a material effect on our results of operations or financial position since we do not generate significant cash flows from recurring revenues and our revenues are generally less affected by shelter-in place or similar orders. However, if delays caused by the COVID-19 pandemic in commencing and enrolling patients in our clinical trials or those run by our partners result in a delay in completing these trials, our ability to file for regulatory approval and commercialize these products (if approved) and receive associated milestone payments may also be delayed.

Due to the potential for adverse developments in the credit markets, we may experience reduced liquidity with respect to some of our investments in marketable securities. These investments are generally held to maturity, which, in accordance with our investment policy, is less than two years. However, if the need arises to liquidate such securities before maturity, we may experience losses on liquidation. To date we have not experienced any liquidity issues with respect to these securities. We believe that, even allowing for potential liquidity issues with respect to these securities and the effect of the COVID-19 pandemic on the financial markets, our remaining cash and investments in marketable securities will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Our current business plan is subject to significant uncertainties and risks as a result of, among other factors, clinical and regulatory outcomes for bempegaldesleukin, the sales levels of our products, if and when they are approved, the sales levels for those products for which we are entitled to royalties, clinical program outcomes, whether, when and on what terms we are able to enter into new collaboration transactions, expenses being higher than anticipated, unplanned expenses, cash receipts being lower than anticipated, and the need to satisfy contingent liabilities, including litigation matters and indemnification obligations.

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

Our only significant noncancellable contractual commitments relate to our leases. Please see Note 6 to our Consolidated Financial Statements for additional information.

Cash flows from operating activities

Cash flows used in operating activities for the year ended December 31, 2020 totaled $313.3 million, which includes $353.6 million of net operating cash uses and $9.7 million for interest payments on our senior secured notes, partially offset by a $50.0 million in milestones under the BMS Collaboration Agreement.

Cash flows used in operating activities for the year ended December 31, 2019 totaled $328.7 million, which includes $319.5 million of net operating cash uses and $19.2 million for interest payments on our senior secured notes, partially offset by $10.0 million from our collaboration agreement with Baxalta.

We expect that cash flows used in operating activities, excluding upfront, milestone and other contingent payments received, if any, will increase in 2021 compared to 2020 primarily as a result of increased research and development expenses and no offsetting collaboration milestone payments.

Cash flows from investing activities

We paid $7.3 million and $26.3 million to purchase or construct property, plant and equipment in the years ended December 31, 2020 and 2019, respectively. The significant decrease in capital expenditures from 2019 was primarily due to the construction of leasehold improvements in 2019 at our Third Street facility as more fully described in Note 6 of our Consolidated Financial Statements.

Cash flows from financing activities

As described in Note 5 to our Consolidated Financial Statements, in the second quarter of 2020, we redeemed the senior secured notes at par and therefore repaid the principal of $250.0 million and accrued interest of $4.8 million.

As described in Note 7 to our Consolidated Financial Statements and as described above, on December 16, 2020, we entered into a purchase and sale agreement (the 2020 Purchase and Sale Agreement) with entities managed by Healthcare Royalty Management, LLC, pursuant to which we sold our rights to receive royalty payments arising from the worldwide net sales of MOVANTIK®, ADYNOVATE® and REBINYN®, beginning on October 1, 2020. We received proceeds of $146.3 million, representing the sale of price $150.0 million, net of transaction costs. See Note 7 for additional details on the 2020 Purchase and Sale Agreement, including the capped nature of the arrangement.

We received proceeds from issuance of common stock related to our employee option and stock purchase plans of $23.4 million and $23.4 million in the years ended December 31, 2020 and 2019, respectively.

Critical Accounting Policies

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

We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources and evaluate our estimates on an ongoing basis. Actual results may differ materially from those estimates under different assumptions or conditions. We have determined that for the periods in this report, the following accounting policies and estimates are critical in understanding our financial condition and the results of our operations.

Collaborative Arrangements

When we enter into collaboration agreements with pharmaceutical and biotechnology partners, we assess whether the arrangements fall within the scope of Accounting Standards Codification (ASC) 808, *Collaborative Arrangements* (ASC 808) based on whether the arrangements involve joint operating activities and whether both parties have active participation in the arrangement and are exposed to significant risks and rewards. To the extent that the arrangement falls within the scope of ASC 808, we assess whether the payments between us and our collaboration partner fall within the scope of other accounting

literature. If we conclude that payments from the collaboration partner to us represent consideration from a customer, such as license fees and contract research and development activities, we account for those payments within the scope of ASC 606, *Revenue from Contracts with Customers*. However, if we conclude that our collaboration partner is not a customer for certain activities and associated payments, such as for certain collaborative research, development, manufacturing and commercial activities, we record such payments as a reduction of research and development expense or general and administrative expense, based on where we record the underlying expense.

Revenue Recognition

We recognize license, collaboration and other research revenue based on the facts and circumstances of each contractual agreement and includes recognition of upfront fees and milestone payments. At the inception of each agreement, we determine which promises represent distinct performance obligations, for which management must use significant judgment. Additionally, at inception and at each reporting date thereafter, we must determine and update, as appropriate, the transaction price, which includes variable consideration such as development milestones. We must use judgment to determine when to include variable consideration in the transaction price such that inclusion of such variable consideration will not result in a significant reversal of revenue recognized when the contingency surrounding the variable consideration is resolved. We must also allocate the arrangement consideration to performance obligations based on their relative standalone selling prices, which we generally base on our best estimates and which require significant judgment. For example, in estimating the standalone selling prices for granting licenses for our drug candidates, our estimates may include revenue forecasts, clinical development timelines and costs, discount rates and probabilities of clinical and regulatory success. For performance obligations satisfied over time, we recognize revenue based on our estimates of expected future costs or other measures of progress.

Accrued Clinical Trial Expenses

We record an accrued expense for the estimated unbilled costs of our clinical study activities performed by third parties. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients and completion of certain clinical trial activities. We generally accrue costs associated with the start-up and reporting phases of the clinical trials ratably over the estimated duration of the start-up and reporting phases. We generally accrue costs associated with the treatment phase of clinical trials based on the estimated activities performed by our third parties. We may also accrue expenses based on the total estimated cost of the treatment phase on a per patient basis and expense the per patient cost ratably over the estimated patient treatment period based on patient enrollment in the trials. In specific circumstances, such as for certain time-based costs, we recognize clinical trial expenses using a methodology that we consider to be more reflective of the timing of costs incurred.

Advance payments for goods or services that will be used or rendered for future research and development activities are capitalized as prepaid expenses and recognized as expense as the related goods are delivered or the related services are performed. We base our estimates on the best information available at the time. However, additional information may become available to us which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period identified.

Accrued Contract Manufacturing Expenses

We record accruals for the estimated unbilled costs of our contract manufacturing activities performed by third parties. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts include upfront payments and milestone payments, which depend on factors such as the achievement of the completion of certain stages of the manufacturing process. For purposes of recognizing expense, we assess whether we consider the production process sufficiently defined to be considered the delivery of a good, as evidenced by predictive or contractually required yields, or the delivery of a service, where processes and yields are developing and less certain. If we consider the process to be the delivery of a good, we recognize expense when the drug product is delivered, or we otherwise bear risk of loss. If we consider the process to be the delivery of a service, we recognize expense based on our best estimates of the contract manufacturer’s progress towards completion of the stages in the contract. We base our estimates on the best information available at the time. However, additional information may become available to us which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. In certain circumstances, we may be entitled to reductions of amounts due under these arrangements if delivery is delayed or the yield from the production process is lower than expected. Given the uncertainties with such reductions, we may only recognize

such decrease when the contract manufacturer agrees with such reduction. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period identified.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate and Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in liquid, high quality debt securities. Our investments in debt securities are subject to interest rate risk. To minimize the exposure due to an adverse shift in interest rates, we invest in securities with maturities of two years or less and maintain a weighted average maturity of one year or less.

A hypothetical 50 basis point increase in interest rates would result in an approximate $2.5 million decrease, less than 1%, in the fair value of our available-for-sale securities at December 31, 2020. This potential change is based on sensitivity analyses performed on our investment securities at December 31, 2020. Actual results may differ materially. The same hypothetical 50 basis point increase in interest rates would have resulted in an approximate $4.3 million decrease, less than 1%, in the fair value of our available-for-sale securities at December 31, 2019.

As of December 31, 2020, we held $1.0 billion of available-for-sale investments, excluding money market funds, with an average time to maturity of five 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 in marketable securities will be sufficient to meet our anticipated cash needs for at least the next twelve months. Based on our available cash and our expected operating cash requirements, we currently do not intend to sell these securities prior to maturity and it is more likely than not that we will not be required to sell these securities before we recover the amortized cost basis. Accordingly, we believe there are no other-than-temporary impairments on these securities and have not recorded any provisions for impairment.

Foreign Currency Risk

The majority of our revenue, expense, and capital purchasing activities are transacted in U.S. dollars. However, we have contracts with contract manufacturing organizations in Europe, transacted in the British pound sterling or Euros, and incur costs from sites in a variety of international locations which are compensated in their respective local currencies. Additionally, a portion of our operations consists of research and development activities outside the United States, with transactions in the Indian Rupee. Accordingly, we are subject to foreign currency exchange risk for these transactions.

Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. We do not utilize derivative financial instruments to manage our exchange rate risks. We do not believe that inflation has had a material adverse impact on our revenues or operations in any of the past three years.

Item 8. Financial Statements and Supplementary Data

NEKTAR THERAPEUTICS
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Nektar Therapeutics

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nektar Therapeutics (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2021 expressed unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for accrued research and development expenses

Description of the Matter

As more fully described in Note 1 to the consolidated financial statements, the Company records expenses and accruals for estimated costs of research and development activities, including third party contract services costs for clinical research and contract manufacturing. Clinical trial and contract manufacturing activities performed by third parties are expensed based upon estimates of work completed in accordance with agreements with the respective Clinical Research Organization ("CRO") or Contract Manufacturing Organization ("CMO"). Billing terms and payments are reviewed by management to ensure estimates of outstanding obligations are appropriate as of period end. Tracking the progress of completion for clinical trial and contract manufacturing activities performed by third parties allows the Company to record the appropriate expense and accruals under the terms of the agreements. During 2020, the Company incurred $408.7 million of research and development expenses. The Company recorded an accrued liability of $44.2 million and $11.3 million for clinical trial and contract manufacturing expenses, respectively, as of December 31, 2020.

Auditing the accounting for accrued clinical trial and contract manufacturing expenses is complex because of the high volume of data used in management's estimates, the assumptions used by management to develop their estimates and verifying the cost and extent of unbilled work performed during the reporting period.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the accounting for accrued research and development expenses, including the Company's assessment and estimation of accrued costs for clinical trial and contract manufacturing activities performed by third parties. This assessment was done with the Company's financial and operational personnel to determine the appropriate project status and estimated accrual of costs.

To test the Company's accounting for accrued clinical trial and contract manufacturing expenses, our audit procedures included, among others, obtaining supporting evidence from third parties of the research and development activities performed for significant clinical trials and contract manufacturing services. We agreed, on a sample basis, the Company schedules to key milestones and completion terms, activities, timing, and costs to signed CMO and CRO contracts in order to evaluate the status of completion and accuracy of invoices received from the vendors. We met with clinical and manufacturing personnel to understand the status of significant research and development activities. We also tested a sample of subsequent payments by agreeing the invoice to the original accrual and the invoice payments to bank statements.

Accounting for cost-sharing under the Bristol-Myers Squibb (BMS) Collaboration Agreement

Description of the Matter

The Company and Bristol-Myers Squibb Company (BMS) both conduct research and development activities under a Strategic Collaboration Agreement for bempegaldesleukin (NKTR-214). As more fully explained in note 10 to the consolidated financial statements, the Company and BMS share certain internal and external development costs under the collaboration agreement. The Company's research and development costs include external actual and estimated Clinical Research Organizations ("CRO") and Contract Manufacturing Organization ("CMO") costs in addition to internal employee costs. BMS provides reports to support their research and development activities performed and costs incurred in the relevant period under the terms of the agreement. Estimates included in each party's research and development costs are trued up to actuals by each party when known. Eligible costs incurred by each party during the reporting period are offset and the net amount is owed to the party with the excess costs. The Company has a net receivable of $38.7 million from BMS under the collaboration as of December 31, 2020. During a reporting period in which there is a net receivable to the Company, the net amount of BMS' reimbursement of collaboration expense is recorded as a reduction of research and development expense. For the year ended December 31, 2020, the Company recorded $128.2 million as a reduction of research and development expenses for BMS' share of the Company's research and development expenses, net of the Company's share of BMS' research and development expenses.

Auditing the cost-sharing under the collaboration agreement was especially challenging because of the complexity of the data used by the Company for determining the actual and estimated research and development activities that are eligible for reimbursement under the collaboration agreement. The research and development expenses include management's judgment regarding the estimated third party contract service costs for clinical research and contract manufacturing incurred during the reporting period. Additionally, the Company evaluates the costs incurred and activities performed by BMS to assess their eligibility for reimbursement under the agreement.

How We Addressed the Matter in Our Audit

We evaluated the design and tested the operating effectiveness of controls over the accounting for the cost-sharing conducted under the collaboration agreement, including the Company's assessment and measurement of its and BMS's activities performed and costs incurred that are eligible for reimbursement. This includes conducting meetings with program management, clinical operations and manufacturing personnel to determine the progress to date under the collaboration and substantiating the calculation of eligible costs and activities.

Our audit procedures included, among others, testing the eligibility of the Company's research and development costs against the terms of the agreement. We met with Company personnel and reviewed meeting minutes to understand discussions held with BMS during various committee meetings to corroborate our knowledge of the collaboration activities that have occurred to date. We tested the activities reported by the Company and BMS for appropriate classification and disclosure under the collaboration agreement. We obtained an external confirmation from BMS for the net amount owed to the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1993.

Redwood City, California
February 25, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Nektar Therapeutics

Opinion on Internal Control over Financial Reporting

We have audited Nektar Therapeutics' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Nektar Therapeutics (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Redwood City, California
February 25, 2021

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

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 198,955	$ 96,363
Short-term investments	862,941	1,228,499
Accounts receivable	38,889	36,802
Inventory	15,292	12,665
Advance payments to contract manufacturers	3,908	31,834
Other current assets	18,020	15,387
Total current assets	1,138,005	1,421,550
Long-term investments	136,662	279,119
Property, plant and equipment, net	59,662	65,665
Operating lease right-of-use assets	126,476	134,177
Goodwill	76,501	76,501
Other assets	1,461	344
Total assets	$ 1,538,767	$ 1,977,356
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Senior secured notes, net and interest payable (see Note 5)	$ —	$ 252,891
Accounts payable	22,139	19,234
Accrued compensation	14,532	11,467
Accrued clinical trial expenses	44,207	32,626
Accrued contract manufacturing expenses	11,310	7,304
Other accrued expenses	9,585	12,338
Operating lease liability, current portion	13,915	12,516
Deferred revenue, current portion	91	5,517
Total current liabilities	115,779	353,893
Operating lease liability, less current portion	136,373	142,730
Liabilities related to the sales of future royalties, net	200,340	72,020
Deferred revenue, less current portion	2,464	2,554
Other long-term liabilities	6,516	768
Total liabilities	461,472	571,965
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000 shares authorized; no shares designated, issued or outstanding at December 31, 2020 or 2019	—	—
Common stock, $0.0001 par value; 300,000 shares authorized; 180,091 shares and 176,505 shares issued and outstanding at December 31, 2020 and 2019, respectively	18	17
Capital in excess of par value	3,388,730	3,271,097
Accumulated other comprehensive loss	(2,295)	(1,005)
Accumulated deficit	(2,309,158)	(1,864,718)
Total stockholders' equity	1,077,295	1,405,391
Total liabilities and stockholders' equity	$ 1,538,767	$ 1,977,356

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

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

	Year Ended December 31,		
	2020	2019	2018
Revenue:			
Product sales	$ 17,504	$ 20,117	$ 20,774
Royalty revenue	30,999	41,222	41,976
Non-cash royalty revenue related to sale of future royalties	48,563	36,303	33,308
License, collaboration and other revenue	55,849	16,975	1,097,265
Total revenue	152,915	114,617	1,193,323
Operating costs and expenses:			
Cost of goods sold	19,477	21,374	24,412
Research and development	408,678	434,566	399,536
General and administrative	104,682	98,712	81,443
Impairment of assets and other costs for terminated program	45,189	—	—
Total operating costs and expenses	578,026	554,652	505,391
Income (loss) from operations	(425,111)	(440,035)	687,932
Non-operating income (expense):			
Interest expense	(6,851)	(21,310)	(21,582)
Non-cash interest expense on liability related to sale of future royalties	(30,267)	(25,044)	(21,196)
Interest income and other income (expense), net	18,282	46,335	37,571
Total non-operating expense, net	(18,836)	(19)	(5,207)
Income (loss) before provision for income taxes	(443,947)	(440,054)	682,725
Provision for income taxes	493	613	1,412
Net income (loss)	$ (444,440)	$ (440,667)	$ 681,313
Net income (loss) per share			
Basic	$ (2.49)	$ (2.52)	$ 4.02
Diluted	$ (2.49)	$ (2.52)	$ 3.78
Weighted average shares outstanding used in computing net income (loss) per share			
Basic	178,581	174,993	169,600
Diluted	178,581	174,993	180,119

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

NEKTAR THERAPEUTICS
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	$ (444,440)	$ (440,667)	$ 681,313
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale investments	(927)	5,693	(2,975)
Net foreign currency translation gain (loss)	(363)	(382)	(1,230)
Other comprehensive income (loss)	(1,290)	5,311	(4,205)
Comprehensive income (loss)	$ (445,730)	$ (435,356)	$ 677,108

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

NEKTAR THERAPEUTICS
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2017	159,524	$ 15	$ 2,207,865	$ (2,111)	$ (2,117,941)	$ 87,828
Shares issued under equity compensation plans	5,721	1	61,728	—	—	61,729
Stock-based compensation	—	—	88,101	—	—	88,101
Sale of stock to Bristol-Myers Squibb (Note 10)	8,285	1	790,231	—	—	790,232
Adoption of new accounting standards	—	—	—	—	12,577	12,577
Comprehensive income (loss)	—	—	—	(4,205)	681,313	677,108
Balance at December 31, 2018	173,530	17	3,147,925	(6,316)	(1,424,051)	1,717,575
Shares issued under equity compensation plans	2,975	—	23,377	—	—	23,377
Stock-based compensation	—	—	99,795	—	—	99,795
Comprehensive income (loss)	—	—	—	5,311	(440,667)	(435,356)
Balance at December 31, 2019	176,505	17	3,271,097	(1,005)	(1,864,718)	1,405,391
Shares issued under equity compensation plans	3,586	1	23,372	—	—	23,373
Stock-based compensation	—	—	94,261	—	—	94,261
Comprehensive income (loss)	—	—	—	(1,290)	(444,440)	(445,730)
Balance at December 31, 2020	180,091	$ 18	$ 3,388,730	$ (2,295)	$ (2,309,158)	$ 1,077,295

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

NEKTAR THERAPEUTICS
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net income (loss)	$ (444,440)	$ (440,667)	$ 681,313
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Non-cash royalty revenue related to sale of future royalties	(48,563)	(36,303)	(33,308)
Non-cash interest expense on liability related to sale of future royalties	30,267	25,044	21,196
Stock-based compensation	94,261	99,795	88,101
Depreciation and amortization	14,182	13,156	10,870
Impairment of advance payments to contract manufacturers and equipment for terminated program	20,351	—	—
Accretion of premiums (discounts), net and other non-cash transactions	3,943	(11,394)	(10,952)
Changes in operating assets and liabilities			
Accounts receivable	1,913	6,411	(25,505)
Inventory	(2,627)	(1,284)	(655)
Operating leases, net	2,743	13,090	—
Other assets	4,476	1,190	(31,652)
Accounts payable	2,382	12,967	971
Accrued compensation	4,697	1,530	1,674
Other accrued expenses	8,644	4,349	31,492
Deferred revenue	(5,516)	(16,565)	(15,331)
Net cash provided by (used in) operating activities	(313,287)	(328,681)	718,214
Cash flows from investing activities:			
Purchases of investments	(987,533)	(1,380,865)	(2,271,250)
Maturities of investments	1,449,304	1,614,036	890,957
Sales of investments	41,700	—	11,963
Purchases of property, plant and equipment	(7,258)	(26,285)	(14,239)
Sales of property and plant	—	—	2,633
Net cash provided by (used in) investing activities	496,213	206,886	(1,379,936)
Cash flows from financing activities:			
Issuance of common stock to Bristol-Myers Squibb (Note 10)	—	—	790,231
Proceeds from sale of future royalties, net of $3.8 million of transaction costs	146,250	—	—
Repayment of senior notes	(250,000)	—	—
Proceeds from shares issued under equity compensation plans	23,396	23,355	61,735
Net cash provided by (used in) financing activities	(80,354)	23,355	851,966
Effect of exchange rates on cash and cash equivalents	20	(102)	(101)
Net increase (decrease) in cash and cash equivalents	102,592	(98,542)	190,143
Cash and cash equivalents at beginning of year	96,363	194,905	4,762
Cash and cash equivalents at end of year	$ 198,955	$ 96,363	$ 194,905
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 9,742	$ 19,199	$ 19,471
Cash paid for income taxes	$ 539	$ 555	$ 618
Operating lease right-of-use assets recognized in exchange for lease liabilities	$ 2,133	$ 57,691	$ —

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

NEKTAR THERAPEUTICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 — Organization and Summary of Significant Accounting Policies

Organization

We are a research-based biopharmaceutical company headquartered in San Francisco, California and incorporated in Delaware. We are developing a pipeline of drug candidates that utilize our advanced polymer conjugate technology platforms, which are designed to enable the development of new molecular entities that target known mechanisms of action. Our research and development pipeline of new investigational drugs includes investigational treatments for cancer, autoimmune disease and viral infections.

Our research and development activities have required significant ongoing investment to date and are expected to continue to require significant investment. As a result, we expect to continue to incur substantial losses and negative cash flows from operations in the future. We have financed our operations primarily through cash generated from licensing, collaboration and manufacturing agreements and financing transactions. At December 31, 2020, we had approximately $1.2 billion in cash and investments in marketable securities. On April 13, 2020, we repaid the principal and accrued interest of our senior notes totaling $254.8 million. See Note 5 for additional information.

Basis of Presentation, Principles of Consolidation and Use of Estimates

Our Consolidated Financial statements include the financial position, results of operations and cash flows of our wholly-owned subsidiaries: Inheris Biopharma, Inc. (Inheris), Nektar Therapeutics (India) Private Limited (Nektar India) and Nektar Therapeutics UK Limited. We have eliminated all intercompany accounts and transactions in consolidation.

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

Our comprehensive income (loss) consists of our net income (loss) plus our foreign currency translation gains and losses and unrealized holding gains and losses on available-for-sale securities. There were no significant reclassifications out of accumulated other comprehensive loss to the statements of operations during the years ended December 31, 2020, 2019 and 2018.

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounting estimates and assumptions are inherently uncertain. Actual results could differ materially from those estimates and assumptions. Our estimates include those related to the selling prices of performance obligations and amounts of variable consideration in collaboration agreements, royalty revenue, and other assumptions required for revenue recognition as described further below; the net realizable value of inventory; the impairment of investments, goodwill and long-lived assets; contingencies, accrued clinical trial, contract manufacturing and other expenses; non-cash royalty revenue and non-cash interest expense from our liabilities related to our sales of future royalties; assumptions used in stock-based compensation; and ongoing litigation, among other estimates. We base our estimates on historical experience and on other assumptions that management believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources. As appropriate, we assess estimates each period, update them to reflect current information, and will generally reflect any changes in estimates in the period first identified.

Reclassifications

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

Fair Value of Financial Instruments

The recorded amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. Investments that are classified as available-for-sale are recorded at estimated fair value. The disclosed fair value related to our cash equivalents and investments is based on market prices from a variety of industry standard data providers and generally represent quoted prices for similar assets in active markets or have been derived from observable market data.

Cash, Cash Equivalents, and Investments in Marketable Securities

We consider all investments in marketable securities with an original maturity of three months or less when purchased to be cash equivalents. We classify 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, as short-term investments. We classify investments in securities with remaining maturities of over one year as long-term investments.

Investments are designated as available-for-sale and are carried at fair value with unrealized gains and losses reported in stockholders' equity as accumulated other comprehensive income loss. We review our portfolio of available-for-sale debt securities, using both quantitative and qualitative factors, to determine if declines in fair value below amortized cost have resulted from a credit-related loss or other factors. If the decline in fair value is due to credit-related factors, we recognize a loss in our Consolidated Statement of Operations, whereas if the decline in fair value is not due to credit-related factors, we recognize the loss in other comprehensive income (loss).

We include coupon interest on securities classified as available-for-sale, as well as amortization of premiums and accretion of discounts to maturity, in interest income. The cost of securities sold is based on the specific identification method.

Our cash, cash equivalents, short-term investments and long-term investments are exposed to credit risk in the event of default by the third parties that hold or issue such assets. Our cash, cash equivalents, short-term investments and long-term investments are held or issued by financial institutions that management believes are of high credit quality. Our investment policy limits investments to fixed income securities denominated and payable in U.S. dollars such as corporate bonds, corporate commercial paper, U.S. government obligations, and money market funds and places restrictions on maturities and concentrations by type and issuer.

For our available-for-sale securities, we have significant concentrations of issuers in the banking and financial services industry. While our investment policy requires that we only invest in highly-rated securities and limit our exposure to any single issuer, the COVID-19 pandemic may materially affect the financial condition of issuers. Additionally, pursuant to our investment policy, we may sell securities before maturity if the issuer's credit rating has been downgraded below our minimum credit rating requirements, which may result in a loss on the sale. As a result of the COVID-19 pandemic, we have seen credit downgrades for certain of our securities. Accordingly, if the COVID-19 pandemic or other factors result in downgrades below our minimum credit rating requirements and if we decide to sell these securities, we may experience losses on such sales.

Accounts Receivable and Significant Customer Concentrations

Our customers are primarily pharmaceutical and biotechnology companies that are primarily located in the U.S. and Europe and with whom we have multi-year arrangements. Our accounts receivable balance contains billed and unbilled trade receivables from product sales, milestones (to the extent that they have been achieved and are due from the counterparty), other contingent payments and royalties, as well as reimbursable costs from collaborative research and development agreements. For the year ended December 31, 2020, our accounts receivable included $38.7 million for unbilled net expense reimbursements from our collaboration partner Bristol-Myers Squibb Company (BMS) and $0.2 million under customer contracts from our collaboration partners. For the year ended December 31, 2019, our accounts receivable included $24.0 million for unbilled net expense reimbursements from BMS and $12.8 million from customer contracts, which included our estimate of $11.6 million for royalties resulting from net sales of MOVANTIK®, ADYNOVATE® and REBINYN® during the three months ended December 31, 2019. Since we sold our rights to receive royalties in the 2020 Purchase and Sale Agreement with Healthcare Royalty Management, LLC, as discussed further in Note 7, we did not record accounts receivable for these royalties at

December 31, 2020. We generally do not require collateral from our partners. We perform a regular review of our partners' credit risk and payment histories when circumstances warrant, including payments made subsequent to year-end. When appropriate, we provide for an allowance for doubtful accounts by reserving for specifically identified doubtful accounts, although historically we have not experienced credit losses from our accounts receivable. At December 31, 2019, three different partners represented 65%, 17% and 14%, respectively, of our accounts receivable.

Inventory and Significant Supplier Concentrations

We generally manufacture inventory upon receipt of firm purchase orders from our collaboration partners, and we may manufacture certain intermediate work-in-process materials and purchase raw materials based on purchase forecasts from our collaboration partners. Inventory includes direct materials, direct labor, and manufacturing overhead, and we determine cost on a first-in, first-out basis for raw materials and on a specific identification basis for work-in-process and finished goods. We value inventory at the lower of cost or net realizable value, and we write down defective or excess inventory to net realizable value based on historical experience or projected usage. We expense inventory related to our research and development activities when we purchase or manufacture it. Before the regulatory approval of our drug candidates, we recognize research and development expense for the manufacture of drug products that could potentially be available to support the commercial launch of our drug candidates, if approved.

We are dependent on our suppliers and contract manufacturers to provide raw materials and drugs 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, including as a result of the COVID-19 pandemic, our ability to develop and produce our drug candidates, our ability to supply comparator drugs for our clinical trials, or our ability to meet our supply obligations could be significantly impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Leases

On January 1, 2019, we adopted Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). ASC 842 supersedes the guidance in ASC 840, *Leases* (ASC 840). Under ASC 842, an entity recognizes a right-of-use asset and a corresponding lease liability, measured as the present value of the lease payments. In our adoption, we used the package of practical expedients, which, among other things, allowed us to carry forward our historical lease classification of those leases in effect as of January 1, 2019. We present results for the year ended December 31, 2020 and 2019 under ASC 842. We have not restated the results for the year ended December 31, 2018 continue to report them under ASC 840.

We determine if an arrangement contains a lease at the inception of the arrangement. Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize operating lease right-of-use assets and liabilities at the lease commencement date based on the present value of lease payments over the expected lease term. In determining the present value of lease payments, we use our incremental borrowing rate based on the information available at the lease commencement date. However, in determining the present value of our lease payments for leases in effect when we adopted ASC 842, we used our incremental borrowing rate as of January 1, 2019.

We have elected the practical expedient to account for the lease and non-lease components, such as common area maintenance charges, as a single lease component for our facilities leases, and elected the short-term lease recognition exemption for our short-term leases, which allows us not to recognize lease liabilities and right-of-use assets for leases with an original term of twelve months or less.

Our expected lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise any such options. We recognize lease expense for our operating leases on a straight-line basis over the expected lease term.

We have elected to recognize lease incentives, such as tenant improvement allowances, at the lease commencement date as a reduction of the right-of-use asset and lease liability until paid to us by the lessor to the extent that the lease provides a specified fixed or maximum level of reimbursement and we are reasonably certain to incur reimbursable costs at least equaling such amounts. For leases in effect as of January 1, 2019, we recognized our lease incentives as part of our transition adjustment.

Please see Note 6 for additional information regarding our leases.

Long-Lived Assets

We state property, plant and equipment at cost, net of accumulated depreciation. We capitalize major improvements and expense maintenance and repairs as incurred. We generally recognize depreciation on a straight-line basis. We depreciate manufacturing, laboratory and other equipment over their estimated useful lives of generally three to ten years, depreciate buildings over the estimated useful life of generally twenty years and amortize leasehold improvements over the shorter of the estimated useful lives or the remaining term of the related lease.

Goodwill represents the excess of the price paid for another entity over the fair value of the assets acquired and liabilities assumed in a business combination. We are organized in one reporting unit and evaluate the goodwill for the Company as a whole. Goodwill has an indefinite useful life and is not amortized, but instead tested for impairment at least annually in the fourth quarter of each year using an October 1 measurement date.

We assess the impairment of long-lived assets whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. In the case of property, plant and equipment and right-of-use assets for our leases, we determine whether there has been an impairment by comparing the carrying value of the asset to the anticipated undiscounted net cash flows associated with the asset. If such cash flows are less than the carrying value, we write down the asset to its fair value, which may be measured as anticipated discounted net cash flows associated with the asset. In the case of goodwill impairment, we compare the carrying value of the reporting unit to its fair value, which we generally measure using market capitalization for our single reporting unit. If an impairment exists, we write down goodwill such that the carrying value of the reporting units equals its fair value.

Collaborative Arrangements

We enter into collaboration arrangements with pharmaceutical and biotechnology collaboration partners, under which we may grant licenses to our collaboration partners to further develop and commercialize one of our proprietary drug candidates, either alone or in combination with the collaboration partners' compounds, or grant licenses to partners to use our technology to research and develop their own proprietary drug candidates. We may also perform research, development, manufacturing and supply activities under our collaboration agreements. Consideration under these contracts may include an upfront payment, development and regulatory milestones and other contingent payments, expense reimbursements, royalties based on net sales of approved drugs, and commercial sales milestone payments. Additionally, these contracts may provide options for the customer to purchase our proprietary PEGylation materials, drug candidates or additional contract research and development services under separate contracts.

When we enter into collaboration agreements, we assess whether the arrangements fall within the scope of ASC 808, *Collaborative Arrangements* (ASC 808) based on whether the arrangements involve joint operating activities and whether both parties have active participation in the arrangement and are exposed to significant risks and rewards of the arrangement. To the extent that the arrangement falls within the scope of ASC 808, we assess whether the payments between us and our collaboration partner fall within the scope of other accounting literature. If we conclude that payments from the collaboration partner to us represent consideration from a customer, such as license fees and contract research and development activities, we account for those payments within the scope of ASC 606, *Revenue from Contracts with Customers* (ASC 606). However, if we conclude that our collaboration partner is not a customer for certain activities and associated payments, such as for certain collaborative research, development, manufacturing and commercial activities, we present such payments as a reduction of research and development expense or general and administrative expense, based on where we present the underlying expense.

Revenue Recognition

For elements of those arrangements that we determine should be accounted for under ASC 606, we assess which activities in our collaboration agreements are performance obligations that should be accounted for separately and determine the transaction price of the arrangement, which includes the assessment of the probability of achievement of future milestones and other potential consideration. For arrangements that include multiple performance obligations, such as granting a license or performing contract research and development activities or participation on joint steering or other committees, we allocate upfront and milestone payments under a relative standalone selling price method. Accordingly, we develop assumptions that require judgment to determine the standalone selling price for each performance obligation identified in the contract. These key assumptions may include revenue forecasts, clinical development timelines and costs, discount rates and probabilities of clinical and regulatory success.

Product sales

Product sales are primarily derived from manufacturing and supply agreements with our customers. We have assessed our current manufacturing and supply arrangements and have generally determined that they provide the customer an option to purchase our proprietary PEGylation materials. Accordingly, we treat each purchase order as a discrete exercise of the customer's option (i.e. a separate contract) rather than as a component of the overall arrangement. The pricing for the manufacturing and supply is generally at a fixed price and may be subject to annual producer price index (PPI) adjustments. We invoice and recognize product sales when title and risk of loss pass to the customer, which generally occurs upon shipment. Customer payments are generally due 30 days from receipt of invoice. We test our products for adherence to technical specifications before shipment; accordingly, we have not experienced any significant returns from our customers.

Royalty revenue

Generally, for our collaboration arrangements that include sales-based royalties, we have granted our collaboration partner a license to our intellectual property. Pursuant to these arrangements, our collaboration partners are typically obligated to pay a royalty that is based on the net sales of their approved drugs that are sold in the countries where we have intellectual property rights covering their drugs. As of December 30, 2020, we have sold our rights to receive sales-based royalties for CIMZIA®, MIRCERA®, MOVANTIK®, ADYNOVATE® and REBINYN® as further described in Note 7. For collaboration arrangements that include sales-based royalties, we have concluded that the license is the predominant item to which the royalties relate, which include commercial milestone payments based on the level of sales. Accordingly, we recognize royalty revenue, including for our non-cash royalties, when the underlying sales occur based on our best estimates of sales of the drugs. Our partners generally pay royalties or commercial milestones after the end of the calendar quarter in accordance with contractual terms. We present commercial milestone payments within license, collaboration and other revenue.

License, collaboration and other revenue

License Grants: For collaboration arrangements that include a grant of a license to our intellectual property, we consider whether the license grant is distinct from the other performance obligations included in the arrangement. Generally, we would conclude that the license is distinct if the customer is able to benefit from the license with the resources available to it. For licenses that are distinct, we recognize revenues from nonrefundable, upfront payments and other consideration allocated to the license when the license term has begun and we have provided all necessary information regarding the underlying intellectual property to the customer, which generally occurs at or near the inception of the arrangement.

Milestone Payments: At the inception of the arrangement and at each reporting date thereafter, we assess whether we should include any milestone payments or other forms of variable consideration in the transaction price, based on whether a significant reversal of revenue previously recognized is not probable upon resolution of the uncertainty. Since milestone payments may become payable to us upon the initiation of a clinical study, filing for or receipt of regulatory approval or the first commercial sale of a product, we review the relevant facts and circumstances to determine when we should update the transaction price, which may occur before the triggering event. When we do update the transaction price for milestone payments, we allocate it on a relative standalone selling price basis and record revenue on a cumulative catch-up basis, which results in recognizing revenue for previously satisfied performance obligations in such period. If we update the transaction price before the triggering event, we recognize the increase in the transaction price as a contract asset. Our partners generally pay development milestones subsequent to achievement of the triggering event.

Research and Development Services: For amounts allocated to our research and development obligations in a collaboration arrangement, we recognize revenue over time using a proportional performance model, representing the transfer of goods or services as we perform activities over the term of the agreement.

Shipping and Handling Costs

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

Research and Development Expense

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

collaboration with BMS, we record the cost reimbursement from our partner as a reduction to research and development expense when reimbursement amounts are due to us under the agreement.

We record an accrued expense for the estimated costs of our clinical trial activities performed by third parties. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of certain clinical trial activities. We generally accrue costs associated with the start-up and reporting phases of the clinical trials ratably over the estimated duration of the start-up and reporting phases. We generally accrue costs associated with the treatment phase of clinical trials based on the estimated activities performed by third parties. We may also accrue expenses based on the total estimated cost of the treatment phase on a per patient basis and expense the per patient cost ratably over the estimated patient treatment period based on patient enrollment in the trials. In specific circumstances, such as for certain time-based costs, we recognize clinical trial expenses using a methodology that we consider to be more reflective of the timing of costs incurred.

We record an accrued expense for the estimated costs of our contract manufacturing activities performed by third parties. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts include upfront payments and milestone payments, which depend on factors such as the achievement of the completion of certain stages of the manufacturing process. For purposes of recognizing expense, we assess whether we consider the production process is sufficiently defined such that the resulting product can be considered the delivery of a good, as evidenced by predictive or contractually required yields in the production process or payment terms based on the actual yield, or the delivery of a service, where processes and yields are developing and less certain. If we consider the process to be the delivery of a good, we recognize expense when the drug product is delivered, or we otherwise bear risk of loss. If we consider the process to be the delivery of a service, we recognize expense based on our best estimates of the contract manufacturer’s progress towards completion of the stages in the contracts. We recognize and amortize upfront payments and accrue liabilities based on the specific terms of each arrangement. Certain arrangements may provide upfront payments for certain stages of the arrangement and milestone payments for the completion of certain stages, and, accordingly, we may record advance payments for services that have not been completed or goods not delivered and liabilities for stages where the contract manufacturer is entitled to a milestone payment.

We capitalize advance payments for goods or services that will be used or rendered for future research and development activities and recognize expense as the related goods are delivered or services performed. We base our estimates on the best information available at the time. However, additional information may become available to us in the future which may allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. We generally consider such increases or decreases in cost as changes in estimates and reflect them in research and development expenses in the period identified.

Impairment of Assets and Other Costs for Terminated Program

On January 14, 2020, the joint FDA Anesthetic Drug Products Advisory Committee and Drug Safety and Risk Management Committee did not recommend approval of our NDA for NKTR-181. As a result, we withdrew our NDA and decided to make no further investments in this program. On February 26, 2020, the Audit Committee of our Board of Directors approved management’s plan for the wind-down of Inheris and the NKTR-181 program.

As a result, in the three months ended March 31, 2020, we wrote off $19.7 million of advance payments to contract manufacturers for commercial batches of NKTR-181. We also incurred $25.5 million of additional costs, primarily for non-cancellable commitments to our contract manufacturers and certain severance costs. We present these costs in the Impairment of assets and other costs for terminated program line in our Consolidated Statement of Operations. We did not incur any substantial costs related to the wind-down of Inheris and the NKTR-181 program after March 31, 2020. As of December 31, 2020, we have substantially completed our wind-down and do not expect to incur additional costs.

Stock-Based Compensation

Stock-based compensation arrangements include grants of stock options, restricted stock units (RSUs) and performance stock units (PSUs) under our equity incentive plans, as well as shares issued under our Employee Stock Purchase Plan (ESPP), through which employees may purchase our common stock at a discount to the market price.

We expense the grant date fair value of options, RSUs and PSUs on a straight-line basis over the requisite service periods in our Consolidated Statements of Operations and recognize forfeitures of options, RSUs and PSUs as they occur. For

options and RSUs that vest upon the achievement of performance milestones, we estimate the vesting period based on our evaluation of the probability of achievement of each respective milestone and the related estimated date of achievement. We recognize stock-based compensation expense for purchases under the ESPP over the respective six-month purchase period. We report expense amounts in cost of goods sold, research and development expense, and general and administrative expense based on the function of the applicable employee. Stock-based compensation charges are non-cash charges and have no effect on our reported cash flows. We estimate the grant date fair value of our stock-based compensation awards as follows:

- We use the Black-Scholes option pricing model for the respective grant to determine the estimated fair value of the option on the date of grant (grant date fair value) and the estimated fair value of common stock purchased under the ESPP. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including but not limited to, our stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models may not provide a reliable single measure of the fair value of our employee stock options or common stock purchased under the ESPP.

- The number of shares issuable under PSUs is based on our total shareholder return as compared to other companies within the Nasdaq biotechnology index over the measurement period and may be capped based on our absolute total shareholder return over such period. We use the Monte Carlo simulation model to determine the estimated grant date fair value. The Monte Carlo simulation model incorporates assumptions such as the volatility of our stock, the volatility of the stock of other peer companies within the index, and the correlation of both our stock and our peer companies' stock to the index.

- The fair value of an RSU is equal to the closing price of our common stock on the grant date.

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

Net Income (Loss) Per Share

For all periods presented in the Consolidated Statements of Operations, the net income (loss) available to common stockholders is equal to the reported net income (loss). We calculate basic net income (loss) per share based on the weighted-average number of common shares outstanding during the periods presented and calculate diluted net income (loss) per share based on the weighted-average number of shares of common stock outstanding, including potentially dilutive securities, which consist of common shares underlying stock options and RSUs. For the years ended December 31, 2020 and 2019, basic and diluted net loss per share are the same due to our net losses and the requirement to exclude potentially dilutive securities which would have an antidilutive effect on net loss per share. We excluded weighted average outstanding stock options and RSUs totaling 17.4 million and 17.9 million for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2018, the effect of these dilutive securities under the treasury stock method was approximately 10.5 million, and we excluded approximately 3.3 million of weighted-average shares of common stock underlying outstanding stock options from the computation of diluted net income per share because their effect was antidilutive.

Income Taxes

We account for income taxes under the liability method. Under this method, we determine deferred tax assets and liabilities based on differences between the financial reporting and tax reporting bases of assets and liabilities, measured using enacted tax rates and laws that we expect to be in effect when we expect the differences 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 we make such determination.

We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount of benefit, determined on a cumulative probability basis, that is more than 50% likely of being realized upon ultimate settlement.

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in stockholders' equity from transactions and other events and circumstances other than those resulting from investments by stockholders and distributions to stockholders. Our other comprehensive income (loss) includes net income (loss), gains and losses from the foreign currency translation of the assets and liabilities of our India and UK subsidiaries, and unrealized gains and losses on investments in available-for-sale securities.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

In March 2020, the U.S. government enacted the CARES Act, which includes modifications to the limitation on business interest expense and net operating loss provisions and provides a payment delay of employer payroll taxes during 2020 after the date of enactment. The CARES Act has not had a material effect on our results of operations or financial position.

Recently Adopted Accounting Pronouncements

On January 1, 2020, we adopted Accounting Standards Update 2018-18: Clarifying the Interaction between Topic 808 and Topic 606 (ASU 2018-18). The guidance clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer for a promised good or service that is distinct within the collaborative arrangement. The guidance also precludes entities from presenting amounts related to transactions with a collaborative arrangement participant that is not a customer as revenue, unless those transactions are directly related to third-party sales. ASU 2018-18 is applied retrospectively to January 1, 2018, when we adopted ASC 606. Our adoption of ASU 2018-18 did not materially affect our revenue recognition.

On January 1, 2020, we adopted ASU 2016-13: Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The guidance modifies the measurement and recognition of credit losses for most financial assets and certain other instruments. The amendment updates the guidance for measuring and recording credit losses on financial assets measured at amortized cost by replacing the "incurred loss" model with an "expected loss" model. As a result of adoption, we present these financial assets, which include our accounts receivable and available-for-sale debt securities, at the net amount we expect to collect. The amendment also requires that we record credit losses related to available-for-sale debt securities as an allowance through net income rather than reducing the carrying amount under the historical, other-than-temporary-impairment model. Our adoption of ASU 2016-13 did not materially affect our Consolidated Financial Statements.

Recent Accounting Pronouncements

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to us or that we do not expect adoption to have a material effect on our consolidated financial statements.

Note 2 — Cash and Investments in Marketable Securities

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

	Estimated Fair Value at	
	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 198,955	$ 96,363
Short-term investments	862,941	1,228,499
Long-term investments	136,662	279,119
Total cash and investments in marketable securities	$ 1,198,558	$ 1,603,981

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. All of our long-term investments as of December 31, 2020 and 2019 had maturities between one and two years.

During the year ended December 31, 2020 and 2018, we sold available-for-sale securities totaling $41.7 million and $12.0 million, respectively. Gross realized gains and losses on those sales were not significant. During the year ended December 31, 2019, we did not sell any of our available-for-sale securities. The cost of securities sold is based on the specific identification method.

We report our accrued interest receivable, which totaled $5.1 million and $6.5 million at December 31, 2020 and December 31, 2019, respectively, in other current assets on our Consolidated Balance Sheets.

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

		December 31, 2020				December 31, 2019
	Fair Value Hierarchy Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value
Corporate notes and bonds	2	$ 686,543	$ 1,035	$ (109)	$ 687,469	$ 1,132,182
Corporate commercial paper	2	313,520	44	(67)	313,497	375,473
Obligations of U.S. government agencies	2	2,380	2	—	2,382	—
Available-for-sale investments		1,002,443	1,081	(176)	1,003,348	1,507,655
Money market funds	1				179,302	83,546
Certificate of deposit	N/A				9,623	6,951
Cash	N/A				6,285	5,829
Total cash and investments in marketable securities					$ 1,198,558	$ 1,603,981

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 for identical or similar assets or liabilities 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. We use a market approach to value our Level 2 investments. The disclosed fair value related to our investments is based on market prices from a variety of industry standard data providers and generally represents quoted prices for similar assets in active markets or has been derived from observable market data. For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

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.

At December 31, 2019, our gross unrealized gains and losses totaled $2.1 million and $0.3 million, respectively.

At December 31, 2020 and 2019, we had letter of credit arrangements in favor of our landlords and certain vendors totaling $8.1 million and $6.8 million, respectively. These letters of credit are secured by investments of similar amounts.

Note 3 — Inventory

Inventory consists of the following (in thousands):

	December 31,	
	2020	2019
Raw materials	$ 2,422	$ 1,673
Work-in-process	10,703	8,267
Finished goods	2,167	2,725
Total inventory	$ 15,292	$ 12,665

Note 4 — Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

	December 31,	
	2020	2019
Building and leasehold improvements	$ 92,977	$ 93,097
Laboratory equipment	40,121	36,623
Computer equipment and software	28,684	26,910
Manufacturing equipment	21,796	22,030
Furniture, fixtures, and other	9,872	9,662
Depreciable property, plant and equipment at cost	193,450	188,322
Less: accumulated depreciation	(138,488)	(127,875)
Depreciable property, plant and equipment, net	54,962	60,447
Construction-in-progress	4,700	5,218
Property, plant and equipment, net	$ 59,662	$ 65,665

Building and leasehold improvements include our manufacturing, research and development and administrative facilities and the related improvements to these facilities. Laboratory and manufacturing equipment include assets that support both our manufacturing and research and development efforts. Construction-in-progress includes assets being built to enhance our manufacturing and research and development efforts.

Depreciation and amortization expense on property, plant and equipment for the years ended December 31, 2020, 2019, and 2018 was $12.5 million, $11.0 million, and $8.8 million, respectively.

Note 5 — Senior Secured Notes

On October 5, 2015, we completed the sale and issuance of $250.0 million in aggregate principal amount of 7.75% senior secured notes due 2020 (the Notes). The Notes were secured by a first-priority lien on substantially all of our assets (except our right-of-use assets) and bore interest at a rate of 7.75% per annum payable in cash quarterly in arrears on January 15, April 15, July 15, and October 15 of each year. Interest was calculated based on actual days outstanding over a 360 days year. The Notes were to mature on October 5, 2020, at which time the outstanding principal would have been due and payable. In connection with the issuance of the Notes, we paid fees and expenses of $8.9 million, of which $8.7 million of transaction and facility fees paid directly to the purchasers of the Notes and other direct issuance costs were recorded as a discount to the senior secured notes, net liability balance in our Consolidated Balance Sheet.

On April 13, 2020, we redeemed the Notes at par and therefore repaid the principal of $250.0 million and accrued interest of $4.8 million. As a result of the redemption and repayment, the liens discussed above were terminated.

Note 6 — Leases

Operating Leases

Our leases consist of a Lease Agreement (the Mission Bay Lease) with ARE-San Francisco No. 19, LLC (ARE) for our 153,203 square foot corporate office and R&D facility located at 455 Mission Bay Boulevard, San Francisco, California (the Mission Bay Facility) and a Lease Agreement (the Third Street Lease) with Kilroy Realty Finance Partnership, L.P. (Kilroy) for an additional 135,936 square foot facility to support our R&D operations at 360 Third Street, San Francisco, California (the Third Street Facility). The following table presents key information regarding these leases (dollars in thousands):

	Mission Bay Facility	Third Street Facility
Lease commencement	September 2017	June 2018
Lease term	January 2030	January 2030
Space delivered during the year ended December 31, 2019		
Square footage	13,907	67,105
Right-of-use asset and lease liability recognized	$ 6,698	$ 50,993
Space delivered during the year ended December 31, 2020		
Square footage	4,940	—
Right-of-use asset and lease liability recognized	$ 2,133	$ —
Renewal terms	Two consecutive five-year terms	One five-year term

- The monthly base rent for both facilities will escalate over the term of the lease at various intervals.
- Both leases include various covenants, indemnities, defaults, termination rights, security deposits and other provisions customary for lease transactions of this nature.
- During the term of the Mission Bay Lease, we are responsible for paying our share of operating expenses specified in the lease, including utilities, common area maintenance, insurance costs and taxes.
- For the Third Street Lease, our fixed annual base rent on an industrial gross lease basis includes certain expenses and property taxes paid directly by the landlord. We have a one-time right of first offer with respect to certain additional rental space at the Third Street Facility.

We recognize rent expense for these operating leases on a straight-line basis over the lease period. The components of lease costs, which we include in operating expenses in our Consolidated Statements of Operations, were as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Operating lease cost	$ 18,985	$ 14,697	$ 7,972
Variable lease cost	8,179	6,408	4,497
Total lease costs	$ 27,164	$ 21,105	$ 12,469

During the year ended December 31, 2020 and 2019, we recorded operating lease expense of $19.0 million and $14.7 million, respectively, and paid $16.2 million and $8.4 million, respectively, of operating lease payments related to our lease liabilities, which we include in net cash provided by (used in) operating activities in our Consolidated Statements of Cash Flows.

As of December 31, 2020, the maturities of our operating lease liabilities were as follows (in thousands):

Year ending December 31,	
2021	$ 17,938
2022	20,141
2023	20,780
2024	21,439
2025	22,117
2026 and thereafter	97,764
Total lease payments	200,179
Less: portion representing interest	(46,380)
Less: lease incentives	(3,511)
Operating lease liabilities	150,288
Less: current portion	(13,915)
Operating lease liabilities, less current portion	$ 136,373

As of December 31, 2020, the weighted-average remaining lease term is 9.1 years and the weighted-average discount rate used to determine the operating lease liability was 5.9%.

Note 7 — Liabilities Related to the Sales of Future Royalties

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

On December 16, 2020, we entered into a purchase and sale agreement (the 2020 Purchase and Sale Agreement) with entities managed by Healthcare Royalty Management, LLC (collectively, HCR). Pursuant to the 2020 Purchase and Sale Agreement, we agreed to sell to HCR certain of our rights to receive royalty payments (the 2020 Transaction Royalties) arising from the worldwide net sales, from and after October 1, 2020 until such time certain return thresholds are met as described below, of (a) MOVANTIK® under that certain License Agreement, dated September 20, 2009, by and between Nektar and AstraZeneca AB, as amended, (b) ADYNOVATE® under that certain Exclusive Research, Development, License and Manufacturing and Supply Agreement, dated September 26, 2005, by and among Nektar, Baxalta US Inc. and Baxalta GmbH, as amended, (c) REBINYN® under that certain Settlement and License Agreement, dated December 21, 2016, by and among Nektar, Novo Nordisk Inc., Novo Nordisk A/S and Novo Nordisk A/G and (d) licensed products under that certain Right to Sublicense Agreement, dated October 27, 2017, by and among Nektar, Baxter Incorporated, Baxalta US Inc. and Baxalta GmbH.

The 2020 Purchase and Sale Agreement will automatically expire, and the payment of the 2020 Transaction Royalties to HCR will cease, when HCR has received payments of the 2020 Transaction Royalties equal to $210.0 million (the 2025 Threshold), if the 2025 Threshold is achieved on or prior to December 31, 2025, or $240.0 million, if the 2025 Threshold is not achieved on or prior to December 31, 2025 (or, if earlier, the date on which the last royalty payment under the relevant license agreements is made). If HCR has received payments of the 2020 Transaction Royalties equal to at least $208.0 million on or prior to December 31, 2025, we have the option to pay the difference between the 2025 Threshold and such 2020 Transaction Royalties, and the 2025 Threshold will be met and the 2020 Purchase and Sale Agreement will expire. After the 2020 Purchase and Sale Agreement expires, all rights to receive the 2020 Transaction Royalties return to Nektar.

On December 30, 2020, we received aggregate cash proceeds of $150.0 million for the 2020 Transaction Royalties. As part of the sale, we incurred approximately $3.8 million in transaction costs, which will be amortized to interest expense over the estimated life of the 2020 Purchase and Sale Agreement. Although we sold all of our rights to receive royalties from these

products, as a result of the limits on the 2020 Transaction Royalties to be received by HCR and our ongoing manufacturing and supply obligations related to the generation of these royalties, we will continue to account for these non-cash royalties as revenue, commencing with royalties for the three months ended December 31, 2020, to be received by HCR in the first quarter of 2021. We recorded the $150.0 million in proceeds from this transaction as a liability (the 2020 Royalty Obligation) that will be amortized using the effective interest method over the estimated life of the 2020 Purchase and Sale Agreement. We did not recognize any non-cash interest expense from closing on December 30, 2020 to December 31, 2020 as any imputed interest was immaterial.

The following table shows the activity within the liability account during the year ended December 31, 2020 and for the period from the inception of the 2012 Purchase and Sale Agreement on February 24, 2012 (inception) and the 2020 Purchase and Sale Agreement on December 30, 2020 to December 31, 2020 (in thousands):

	Year-Ended December 31, 2020			Period from inception to December 31, 2020		
	2012 Purchase and Sale Agreement	2020 Purchase and Sale Agreement	Total	2012 Purchase and Sale Agreement	2020 Purchase and Sale Agreement	Total
Liability related to the sale of future royalties—beginning balance	$ 73,551	$ —	$ 73,551	$ —	$ —	$ —
Royalty monetization proceeds	—	150,000	150,000	124,000	150,000	274,000
Non-cash royalty revenue	(37,938)	(10,625)	(48,563)	(245,080)	(10,625)	(255,705)
Non-cash interest expense	30,267	—	30,267	196,960	—	196,960
Payments to RPI	—	—	—	(10,000)	—	(10,000)
Liability related to the sale of future royalties – ending balance	65,880	139,375	205,255	65,880	139,375	205,255
Less: unamortized transaction costs	(1,165)	(3,750)	(4,915)	(1,165)	(3,750)	(4,915)
Liability related to the sale of future royalties, net	$ 64,715	$ 135,625	$ 200,340	$ 64,715	$ 135,625	$ 200,340

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

As royalties are remitted to RPI and HCR by our licensees, the balances of the respective Royalty Obligations will be effectively repaid over the lives of the agreements. To determine the amortization of the Royalty Obligations, we are required to estimate the total amount of future royalty payments to be received by RPI and HCR, respectively. The sum of these amounts less the net proceeds we received will be recorded as non-cash interest expense over the lives of the respective Royalty Obligations. We periodically assess the estimated royalty payments to RPI and HCR from our licensees and to the extent the amount or timing of such payments is materially different than our original estimates, we will prospectively adjust the imputed interest rate and the related amortization of the appropriate Royalty Obligation.

There are a number of factors that could materially affect the amount and timing of royalty payments from our licensees, 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, significant changes in foreign exchange rates as the royalties remitted to RPI or HCR are made in U.S. dollars (USD) while significant portions of the underlying sales of the products of our licensees are made in currencies other than USD, and other events or circumstances that could result in reduced royalty payments from our licensees, all of which would result in a reduction of non-cash royalty revenues and the non-cash interest expense over the life of the respective Royalty Obligation. Conversely, for the 2012 Purchase and Sale Agreement, if sales of these products are more than expected, the non-cash royalty revenues and the non-cash interest expense recorded by us would be greater over the term of the 2012 Royalty Obligation.

The following table presents our estimates of the annual interest rates over the lives of the agreements and the resulting prospective interest rates used to recognize non-cash interest expense for the years ended December 31, 2020, 2019 and 2018.

	2012 Purchase and Sale Agreement			2020 Purchase and Sale Agreement
	Year-Ended December 31,			Year-Ended December 31,
	2020	2019	2018	2020
Interest rates - end of period presented				
Implicit interest rate over the life of the agreement	20.2 %	19.5 %	18.7 %	16.0 %
Prospective effective interest rate	48.0 %	38.0 %	29.0 %	16.0 %

In addition, the 2012 and 2020 Purchase and Sale Agreements grant RPI and HCR, respectively, the right to receive certain reports and other information relating to the 2012 and 2020 Transaction Royalties, respectively, and contains other representations and warranties, covenants and indemnification obligations that are customary for transactions of this nature. To our knowledge, we are currently in compliance with these provisions of the 2012 and 2020 Purchase and Sale Agreements; however, if we were to breach our obligations, we could be required to pay damages to RPI and HCR, respectively, that are not limited to the purchase prices we received in the sale transactions. However, the time limitation we have to indemnify RPI with respect to any breach of these intellectual property-based representations and warranties has passed.

Note 8 — Commitments and Contingencies

Purchase Commitments

In the normal course of business, we enter into various firm purchase commitments related to contract manufacturing, clinical development and certain other items. As of December 31, 2020, these commitments were approximately $8.0 million, all of which we expect to pay in 2021.

Legal Matters

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

On October 30, 2018, we and certain of our executives were named in a putative securities class action complaint filed in the U.S. District Court for the Northern District of California (U.S. District Court in California), which complaint was subsequently amended on May 15, 2019. Also, on February 13, 2019, and February 18, 2019, shareholder derivative complaints were filed in the U.S. District Court for the District of Delaware naming the CEO, CFO and certain members of our board of directors. These class action and shareholder derivative actions assert, among other things, that for a period beginning at least from November 11, 2017 through October 2, 2018, our stock was inflated due to alleged misrepresentations about the efficacy and safety of bempegaldesleukin. On December 30, 2020, the U.S. District Court in California granted Nektar’s motion to dismiss all claims in this securities class action filing, and denied plaintiffs with the ability to file a further amended complaint. Following the motion to dismiss, on January 29, 2021, the class action plaintiffs filed a Notice to Appeal to appeal the district court’s decision to the U.S. Court of Appeals for the Ninth Circuit.

In addition, on August 19, 2019, we and certain of our executives were named in a putative securities class action complaint filed in U.S. District Court in California, which complaint was subsequently amended on January 24, 2020. Also, on February 11, 2020, and on February 20, 2020, shareholder derivative complaints were filed in U.S. District Court in California naming the CEO, CFO and certain members of our board of directors, which derivative complaints were consolidated and subsequently amended on July 1, 2020. The class action and shareholder derivative complaints assert, among other things, that for a period between February 15, 2019 and August 8, 2019, inclusive, our stock was inflated due to an alleged failure to disclose a reduction in the planned number of bempegaldesleukin clinical trials and a bempegaldesleukin manufacturing issue. On January 26, 2021, the U.S. District Court in California granted Nektar’s motion to dismiss all claims in this securities class action filing, stating (among other things) that “Defendants’ open disclosure of risks associated with trial delay … suggests that

they acted openly with investors." Following the motion, the class action plaintiffs have an opportunity to file in early March a further amended complaint and the case remains pending.

On February 9, 2021, certain of our current and past directors and executives were named in a shareholder derivative complaint filed in the Court of Chancery of the State of Delaware. Allegations in this matter are similar to those raised in the putative securities class action complaints filed on October 30, 2018 and August 19, 2019 in the U.S. District Court in California.

All of the securities class action lawsuits and derivative complaints are in the early stages. Accordingly, we cannot reasonably estimate a potential future loss or a range of potential future losses. However, an unfavorable resolution could potentially have a material adverse effect on our business, financial condition, and results of operations or prospects, and potentially result in paying monetary damages. We have recorded no liability for these matters in our Consolidated Balance Sheets at either December 31, 2020 or December 31, 2019.

Foreign Operations

We operate in a number of foreign countries. As a result, we are subject to numerous local laws and regulations that can result in claims made by foreign government agencies or other third parties that are often difficult to predict even after the application of good faith compliance efforts.

Indemnification Obligations

During the course of our normal operating activities, we have agreed to certain contingent indemnification obligations as further described below. The term of our indemnification obligations is generally perpetual. There is generally no limitation on the potential amount of future payments we could be required to make under these indemnification obligations. To date, we have not incurred significant costs to defend lawsuits or settle claims based on our indemnification obligations. If any of our indemnification obligations is triggered, we may incur substantial liabilities. Because the aggregate amount of any potential indemnification obligation is not a stated amount, we cannot reasonably estimate the overall maximum amount of any such obligations. We have recorded no liabilities for these obligations on our Consolidated Balance Sheets as of December 31, 2020 or December 31, 2019.

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

From time to time, we enter into other strategic agreements such as divestitures and financing transactions pursuant to which we are required to make representations and warranties and undertake to perform or comply with certain covenants, including our obligations to RPI and HCR described in Note 7. In the event it is determined that we breached certain of the representations and warranties or covenants made by us in any such agreements or certain express indemnification provisions are applicable, we could incur substantial indemnification liabilities depending on the timing, nature, and amount of any such claims.

To date, we have not incurred costs to defend lawsuits or settle claims related to these indemnification obligations, representations or warranties. Because the aggregate amount of any potential indemnification obligation is not a stated amount, we cannot reasonably estimate the overall maximum amount of any such obligations. We have recorded no liabilities for these obligations in our Consolidated Balance Sheets at either December 31, 2020 or December 31, 2019.

Indemnification of Underwriters and Initial Purchasers of our Securities

In connection with our sale of equity and senior secured debt securities, we have agreed to defend, indemnify and hold harmless our underwriters or initial purchasers, as applicable, as well as certain related parties from and against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Director and Officer Indemnifications

As permitted under Delaware law, and as set forth in our Certificate of Incorporation and our Bylaws, we indemnify our directors, executive officers, other officers, employees, and other agents for certain events or occurrences that may arise while in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is unlimited; however, we have insurance policies that may limit our exposure and may enable us to recover a portion of any future amounts paid. Assuming the applicability of coverage, the willingness of the insurer to assume coverage, and subject to certain retention, loss limits and other policy provisions, we believe any obligations under this indemnification would not be material, other than retention of up to $10.0 million per incident for merger and acquisition related claims, $10.0 million per incident for securities related claims and $10.0 million per incident for non-securities related claims per our insurance policy. However, no assurances can be given that the covering insurers will not attempt to dispute the validity, applicability, or amount of coverage without expensive litigation against these insurers, in which case we may incur substantial liabilities as a result of these indemnification obligations.

Note 9 — Stockholders' Equity

Common Stock

As discussed in Note 10, on April 3, 2018, we completed the issuance and sale of 8,284,600 shares of our common stock under a Share Purchase Agreement with BMS. These shares are unregistered and subject to certain lock-up and stand-still provisions for a five-year period.

Equity Compensation Plans

At December 31, 2020, we had approximately 29,784,000 reserved shares of common stock, all of which are reserved for issuance under our equity compensation plans, of which approximately 20,894,000 shares may be issued upon the exercise of outstanding options or the vesting of restricted stock units (RSUs) or performance stock units, approximately 7,569,000 shares are available for grant under our 2017 Performance Incentive Plan and approximately 1,321,000 shares are available for grant under our Employee Stock Purchase Plan.

2017 Performance Incentive Plan

Our 2017 Performance Incentive Plan (2017 Plan) was adopted by our board of directors (Board of Directors) on March 28, 2017 and was approved by our stockholders on June 14, 2017. On the date of approval, any shares of our common stock that were available for issuance under our 2012 Performance Incentive Plan (2012 Plan) ceased to be available for future grants. However, options and restricted stock units granted under the 2012 Plan remained outstanding.

Subject to the terms of the 2017 Plan, 8,300,000 shares of our common stock, reduced by the number of shares of common stock subject to awards granted under the 2012 Plan on or after March 31, 2017 and prior to the adoption of the 2017 Plan, were initially available for awards under the 2017 Plan. On June 26, 2018, our stockholders approved an amendment to the 2017 Plan whereby 10,900,000 additional shares were made available for award grants under the 2017 Plan (Amended Plan). On June 17, 2020, the stockholders of Nektar approved an amendment to the Amended Plan to increase the aggregate number of shares of Common Stock authorized for issuance thereunder by 10,000,000 shares (Amended and Restated 2017 Plan). Shares issued in respect of any "full-value award" granted under the 2017 Plan will be counted against the share limit described above as 1.5 shares for every one share actually issued in connection with the award. Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2017 Plan or the 2012 Plan will again be available for subsequent awards under the 2017 Plan (with any such shares subject to full-value awards increasing the 2017 Plan's share limit based on the full-value award ratio described above). Notwithstanding the foregoing, shares that are exchanged by a participant or withheld by us to pay the exercise price of an option granted under the 2017 Plan, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any award, will not be available for subsequent awards under the 2017 Plan.

The purpose of the current Amended and Restated 2017 Plan and our other incentive plans is to promote our success by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees, and other eligible persons through the grant of awards. Equity-based awards are also intended to further align the interests of award recipients and our stockholders. The Amended and Restated 2017 Plan authorizes stock options, stock appreciation rights, stock bonuses, restricted stock, performance stock, stock units, phantom stock or similar rights to purchase or acquire shares, and other forms of awards granted or denominated in our common stock or units of our common stock, as well as cash bonus awards. Members of the Board of Directors, officers or employees, certain consultants and advisors and our subsidiaries are eligible to receive awards under the Amended and Restated 2017 Plan. Pursuant to the Amended and Restated 2017 Plan, we have granted or

issued non-qualified stock options, RSUs and PSUs to employees, officers, and non-employee directors. The requisite service period for stock options granted to our employees under the Amended and Restated 2017 Plan as well as our prior plans is generally four years; the requisite service period for stock options granted to our directors is generally one year. The requisite service period for RSUs and PSUs granted under the Amended and Restated 2017 Plan and our prior plans is generally three years for employees and one year for directors.

The Amended and Restated 2017 Plan will terminate on March 27, 2027, unless earlier terminated by the Board of Directors. The maximum term of a stock option or stock appreciation right under the Amended and Restated 2017 Plan and our prior plans is eight years from the date of grant. The per share exercise price of an option generally may not be less than the fair market value of a share of our common stock on the NASDAQ Stock Market on the date of grant.

Employee Stock Purchase Plan

In February 1994, our Board of Directors adopted the Employee Stock Purchase Plan (ESPP) pursuant to section 423(b) of the Internal Revenue Code of 1986. Under the ESPP, 2,500,000 shares of our common stock were originally authorized for issuance. On June 17, 2020, the stockholders of Nektar approved an amendment and restatement of the Amended and Restated Employee Stock Purchase Plan to increase the aggregate number of shares of Common Stock authorized for issuance under the plan by 1,000,000 shares. The terms of the ESPP provide eligible employees with the opportunity to acquire an ownership interest in Nektar through participation in a program of periodic payroll deductions for the purchase of our common stock. Employees may elect to enroll or re-enroll in the ESPP on a semi-annual basis. Stock is purchased at 85% of the lower of the closing price on the first day of the enrollment period or the last day of the enrollment period.

401(k) Retirement Plan

We sponsor a 401(k) retirement plan whereby eligible employees may elect to contribute up to the lesser of 60% of their annual compensation or the statutorily prescribed annual limit allowable under Internal Revenue Service regulations. The 401(k) plan permits us to make matching contributions on behalf of all participants, up to a maximum of $6,000 per participant. For the years ended December 31, 2020, 2019, and 2018, we recognized $3.5 million, $3.5 million, and $2.8 million, respectively, of compensation expense in connection with our 401(k) retirement plan.

Change in Control Severance Plan

On December 6, 2006, our Board of Directors approved a Change of Control Severance Benefit Plan (CIC Plan). This CIC Plan has subsequently been amended a number of times by our Board of Directors with the most recent amendment occurring on April 5, 2011. The CIC Plan is designed to make certain benefits available to our eligible employees in the event of a change of control of Nektar and, following such change of control, an employee's employment with us or a successor company is terminated in certain specified circumstances. We adopted the CIC Plan to support the continuity of the business in the context of a change of control transaction. The CIC Plan was not adopted in contemplation of any specific change of control transaction.

Under the CIC Plan, in the event of a change of control of Nektar and a subsequent termination of employment initiated by us or a successor company other than for Cause (as defined in the CIC Plan) or initiated by the employee for a Good Reason Resignation (as defined in the CIC Plan) in each case within twelve months following a change of control transaction, (i) the Chief Executive Officer would be entitled to receive cash severance pay equal to 24 months base salary plus annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of unvested outstanding equity awards, and (ii) our Senior Vice Presidents and Vice Presidents (including Principal Fellows) would each be entitled to receive cash severance pay equal to twelve months base salary plus annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of unvested outstanding equity awards. In the event of a change of control of Nektar and a subsequent termination of employment initiated by the Company or a successor company other than for Cause within twelve months following a change of control transaction, all other employees would each be entitled to receive cash severance pay equal to 6 months base salary plus a pro-rata portion of annual target incentive pay, the extension of employee benefits over this severance period and the full acceleration of each such employee's unvested outstanding equity awards. Under the CIC Plan, as amended, non-employee directors would also be entitled to full acceleration of vesting of all outstanding stock awards in the event of a change of control transaction.

Note 10 — License and Collaboration Agreements

We have entered into various collaboration agreements including license agreements and collaborative research, development and commercialization agreements with various pharmaceutical and biotechnology companies. Under these

collaboration arrangements, we are entitled to receive license fees, upfront payments, milestone and other contingent payments, royalties, sales milestone payments, and payments for the manufacture and supply of our proprietary PEGylation materials and/or reimbursement for research and development activities. We generally include our costs of performing these services in research and development expense, except for costs for product sales to our collaboration partners which we include in cost of goods sold. We analyze our agreements to determine whether we should account for the agreements within the scope of ASC 808, and, if so, we analyze whether we should account for any elements under ASC 606.

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

		Year Ended December 31,		
Partner	**Agreement**	**2020**	**2019**	**2018**
Bristol-Myers Squibb	Bempegaldesleukin	$ 50,000	$ —	$ 1,059,768
Eli Lilly and Company	NKTR-358	1,259	7,019	11,634
Amgen, Inc.	Neulasta®	4,167	5,000	5,000
Baxalta Incorporated / Takeda	Hemophilia, including ADYNOVATE® and ADYNOVI®	346	378	20,328
Other		77	4,578	535
License, collaboration and other revenue		$ 55,849	$ 16,975	$ 1,097,265

For the years ended December 31, 2020, 2019 and 2018, we recognized $129.6 million, $77.5 million and $95.3 million of revenue for performance obligations that we had satisfied in prior periods, respectively. For all years, the amount includes all of our royalty revenue and non-cash royalty revenue. For the year ended December 31, 2020, the amount includes $50.0 million in BMS Collaboration milestones received.

The following table presents the changes in our deferred revenue balance from our collaboration agreements during the year ended December 31, 2020 (in thousands):

	For the year ended December 31, 2020
Deferred revenue—December 31, 2019	$ 8,071
Recognition of previously unearned revenue	(5,516)
Deferred revenue—December 31, 2020	$ 2,555

Our balance of deferred revenue contains the transaction price from our collaboration agreements allocated to performance obligations which are partially unsatisfied.

As of December 31, 2020, our collaboration agreements with partners included potential future payments for development milestones totaling approximately $1.7 billion, including amounts from our agreements with BMS and Eli Lilly and Company described below. In addition, under our collaboration agreements we are entitled to receive other contingent payments, including contingent sales milestones and royalty payments, as described below.

There have been no material changes to our collaboration agreements for the year ended December 31, 2020, except as described below.

Bristol-Myers Squibb (BMS): Bempegaldesleukin (previously referred to as NKTR-214)

On February 13, 2018, we entered into a Strategic Collaboration Agreement (the BMS Collaboration Agreement) and a Share Purchase Agreement with BMS, both of which became effective on April 3, 2018. Pursuant to the BMS Collaboration Agreement, we and BMS are jointly developing bempegaldesleukin, including, without limitation, in combination with BMS's Opdivo®, and other compounds of BMS, us or any third party. The parties have agreed to jointly commercialize bempegaldesleukin on a worldwide basis. We retained the right to record all worldwide sales for bempegaldesleukin. We will share global commercialization profits and losses with BMS for bempegaldesleukin, with Nektar sharing 65% and BMS sharing 35% of the net profits and losses. The parties share the internal and external development costs for bempegaldesleukin in combination regimens based on each party's relative ownership interest in the compounds included in the regimens. In accordance with the agreement, the parties share development costs for bempegaldesleukin in combination with Opdivo®, 67.5% of costs to BMS and 32.5% to Nektar. The parties share costs for the manufacturing of bempegaldesleukin, 35% of costs to BMS and 65% to Nektar.

The BMS Collaboration Agreement superseded and replaced the Clinical Trial Agreement we entered into with BMS in September 2016 to develop bempegaldesleukin in combination with Opdivo®. Under the Clinical Trial Agreement, we acted as the sponsor of each Combination Therapy Trial and BMS was responsible for 50% of all out-of-pocket costs reasonably incurred in connection with third party contract research organizations, laboratories, clinical sites and institutional review boards. We recorded cost reimbursement payments to us from BMS as a reduction to research and development expense. Each party was otherwise responsible for its own internal costs, including internal personnel costs, incurred in connection with each Combination Therapy Trial.

Upon the effective date of the BMS Collaboration Agreement in April 2018, BMS paid us a non-refundable upfront cash payment of $1.0 billion. We are eligible to receive additional cash payments up to a total of approximately $1.455 billion (including the milestones which we have received under Amendment No. 1 described below) upon the achievement of certain development and regulatory milestones and up to a total of $350.0 million upon the achievement of certain sales milestones. In April 2018, BMS also purchased 8,284,600 shares of our common stock pursuant to the Share Purchase Agreement for total additional cash consideration of $850.0 million.

On January 9, 2020, we and BMS entered into Amendment No. 1 (the Amendment) to the BMS Collaboration Agreement. Pursuant to the Amendment, we and BMS agreed to update the Collaboration Development Plan under which we are collaborating and developing bempegaldesleukin. The cost sharing under the Amendment remains unchanged. We received a non-refundable, creditable milestone payment of $25.0 million for the first patient, first visit in the registrational muscle-invasive bladder cancer trial, which was achieved on January 30, 2020, and also received a non-refundable, non-creditable milestone payment of $25.0 million for the first patient, first visit in the registrational adjuvant melanoma trial, which we achieved on July 27, 2020. For the creditable milestone, BMS is entitled to deduct the amount paid from future development milestones due to us under the original agreement.

BMS has the right, at its sole discretion, to terminate co-funding its share of the development costs for the adjuvant melanoma collaboration study if the metastatic melanoma collaboration study fails to meet the primary endpoint of progression free survival. If BMS exercises such right, we have the right, in our sole discretion, to continue the adjuvant melanoma study.

We determined that the BMS Collaboration Agreement falls within the scope of ASC 808. As mentioned above, BMS shares certain percentages of development costs incurred by us and we share certain percentages of development costs incurred by BMS. We consider these activities to represent collaborative activities under ASC 808 and we recognize such cost sharing proportionately with the performance of the underlying services. We recognize BMS' reimbursement of our expenses as a reduction of research and development expense and our reimbursement of BMS' expenses as research and development expense. For the years ended December 31, 2020, 2019 and 2018, we recorded $128.2 million and $105.4 million and $62.5 million, respectively, as a reduction of research and development expenses for BMS' share of our expenses, net of our share of BMS' expenses. As of December 31, 2020 and 2019, we have recorded an unbilled receivable of $38.7 million and $24.0 million, respectively, from BMS in accounts receivable in our Consolidated Balance Sheet.

Our share of development costs is limited to an annual cap of $125.0 million. To the extent this annual cap is exceeded, BMS reimburses us for the excess, but we recognize our full share of the research and development expense and recognize the reimbursement as a liability. We repay the liability to the extent that our share of development costs are less than the annual cap in a future year, or by reducing a portion of our share of net profits following the first commercial sale of bempegaldesleukin, if approved. For the year-ended December 31, 2020, our share of the development costs totaled $129.0 million, thereby exceeding the annual cap by $4.0 million. Accordingly, we have recognized $4.0 million for BMS' reimbursement of the excess over the annual cap in our unbilled billed receivable of $38.7 million, and, due to the repayment provision, we have recognized a liability of $4.0 million in Other long-term liabilities.

We analogized to ASC 606 for the accounting for our two performance obligations, consisting of the delivery of the licenses to develop and commercialize bempegaldesleukin and our participation on joint steering and other collaboration committees. We determined that our committee participation is not material.

During 2018, we aggregated the total consideration of $1.85 billion received under the agreements and allocated it between the stock purchase and the revenue-generating elements, because we and BMS negotiated the agreements together and the effective date of the BMS Collaboration Agreement was dependent upon the effective date of the Share Purchase Agreement. We recorded the estimated fair value of the shares of $790.2 million in stockholders' equity. We allocated the remaining $1,059.8 million to the transaction price of the collaboration agreement, which we recognized in 2018. We consider the future potential development, regulatory and sales milestones of up to approximately $1.8 billion to be variable consideration.

During the year ended December 31, 2020, we recognized $25.0 million for the achievement of the first patient, first visit in the registrational muscle-invasive bladder cancer trial and $25.0 million for the achievement of the first patient, first visit in the registrational adjuvant melanoma trial. We continue to exclude the other milestones from the transaction price as of December 31, 2020 due to the significant uncertainties involved with clinical development and regulatory approval. We re-evaluate the transaction price at each reporting period and as uncertain events are resolved or other changes in circumstances occur.

Eli Lilly and Company (Lilly): *NKTR-358*

On July 23, 2017, we entered into a worldwide license agreement with Eli Lilly and Company (Lilly), which became effective on August 23, 2017, to co-develop NKTR-358, a novel immunological drug candidate that we invented. Under the terms of the agreement, we (i) received an initial payment of $150.0 million in September 2017 and are eligible for up to $250.0 million in additional development milestones, (ii) will co-develop NKTR-358 with Lilly, for which we were responsible for completing Phase 1 clinical development and certain drug product development and supply activities, (iii) will share with Lilly Phase 1B and 2 development costs with 75% of those costs borne by Lilly and 25% of the costs borne by us, (iv) will have the option to contribute funding to Phase 3 development on an indication-by-indication basis ranging from zero to 25% of development costs, and (v) will have the opportunity to receive a royalty rate up to the low twenties based upon our Phase 3 development cost contribution and the level of annual global product sales. Lilly will be responsible for all costs of global commercialization, and we will have an option to co-promote in the U.S. under certain conditions. A portion of the development milestones may be reduced by 50% under certain conditions, related to the final formulation of the approved product and the timing of prior approval (if any) of competitive products with a similar mechanism of action, which could reduce these milestone payments by 75% if both conditions occur.

The agreement will continue until Lilly no longer has any royalty payment obligations or, if earlier, the termination of the agreement in accordance with its terms. The agreement may be terminated by Lilly for convenience, and may also be terminated under certain other circumstances, including material breach.

We identified our license grant to Lilly, our Phase 1 clinical development obligation and our drug product development obligation as the significant performance obligations in the arrangement. The valuation of each performance obligation involves significant estimates and assumptions, including but not limited to, expected market opportunity and pricing, assumed royalty rates, clinical trial costs, timelines and likelihood of success; in each case these estimates and assumptions covering long time periods. We determined the selling price for the license based on a discounted cash flow analysis of projected revenues from NKTR-358 and development and commercial costs using a discount rate based on a market participant's weighted-average cost of capital adjusted for forecasting risk. We determined the selling prices for our Phase 1 clinical development and drug product development deliverables based on the nature of the services to be performed and estimates of the associated efforts and third-party rates for similar services.

Although we are entitled to significant development milestones under this arrangement, through December 31, 2020, we have excluded such milestones from the transaction price due to the significant uncertainties involved with clinical development. We have therefore determined the transaction price to consist of the upfront payment of $150.0 million received in September 2017. Based on our estimates of the standalone selling prices of the performance obligations, we allocated the $150.0 million upfront payment as $125.9 million to the license, $17.6 million to our portion of the Phase 1 clinical development and $6.5 million to the drug product development.

We recognized the $125.9 million of revenue allocated to the license upon the effective date of the license agreement in August 2017, since we determined that the license was a right to use our intellectual property, for which, as of the effective date, we had provided all necessary information to Lilly to benefit from the license and the license term had begun. We recognized revenue for our portion of the Phase 1 clinical development and drug product development using an input method, using costs incurred, as this method depicts our progress towards providing Lilly with the results of clinical trials and drug production processes. As of December 31, 2020, we have no deferred revenue related to this agreement.

Baxalta Incorporated/Takeda: *Hemophilia*

We are a party to an exclusive research, development, license and manufacturing and supply agreement with Baxalta Inc. (Baxalta), a subsidiary of Takeda Pharmaceutical Company Ltd. (Takeda), entered into in September 2005 to develop products designed to improve therapies for Hemophilia A patients using our PEGylation technology. Under the terms of the agreement, we are entitled to research and development funding for our active programs, which are now complete for Factor VIII, and are responsible for supplying Takeda with its requirements for our proprietary materials. Takeda is responsible for all

clinical development, regulatory, and commercialization expenses. The agreement is terminable by the parties under customary conditions.

This Hemophilia A program includes ADYNOVATE®, which was approved by the FDA in November 2015 for use in adults and adolescents, aged 12 years and older, who have Hemophilia A, and is now marketed in the U.S., the European Union, and many other countries. As a result of the marketing authorization in the EU in January 2018, we earned a $10.0 million development milestone, which we received in March 2018. During 2018, we earned an additional $10.0 million milestone for annual sales of ADYNOVATE®/ ADYNOVI™ reaching a certain specified amount. In addition, we are entitled to an additional sales milestone upon achievement of an annual worldwide net sales target and royalties based on worldwide net sales of products resulting from this agreement.

In October 2017, we entered into a right to sublicense agreement with Baxalta, under which we granted to Baxalta the right to grant a nonexclusive sublicense to certain patents that were previously exclusively licensed to Baxalta under our 2005 agreement. Under the right to sublicense agreement, Baxalta paid us $12.0 million in November 2017 and agreed to pay us single digit royalty payments based upon net sales of the products covered under the sublicense throughout the term of the agreement.

Our remaining unsatisfied performance obligation consists of our ongoing supply of PEGylation materials at a price less than the standalone selling price of these materials. As of December 31, 2020, our deferred revenue related to this agreement is not significant.

***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 2010 Agreement) and a license agreement with Amgen, Inc. and Amgen Manufacturing, Limited (together referred to as Amgen). Under the terms of the 2010 Agreement, we received a $50.0 million payment in the fourth quarter of 2010 in return for our guaranteeing the supply of certain quantities of our proprietary PEGylation materials to Amgen.

We determined that our obligation to manufacture and supply PEGylation materials and to maintain the dedicated manufacturing suite solely for the production of such materials for Amgen under the 2010 Agreement represented an obligation to stand ready to manufacture such materials. We concluded that we should recognize revenue based on the passage of time as this method depicts the satisfaction of Amgen's right to require production of PEGylation materials at any time. We recognized revenue through October 2020, the month when the 2010 Agreement expired according to its terms. Accordingly, as of December 31, 2020, we have no deferred revenue related to our agreement with Amgen.

***AstraZeneca AB**: MOVANTIK® (naloxegol oxalate), previously referred to as naloxegol and NKTR-118,*

In September 2009, we entered into an agreement with AstraZeneca AB (AstraZeneca) under which we granted AstraZeneca a worldwide, exclusive license under our patents and other intellectual property to develop, market, and sell MOVANTIK®. AstraZeneca is responsible for all research, development and commercialization costs and related decisions for MOVANTIK®. In September 2014 and December 2014, MOVANTIK® /MOVENTIG® was approved in the US and EU, respectively. As of December 31, 2020, we have received a total of $385.0 million of upfront and contingent milestone payments from this agreement, all of which was received in or before 2015. In addition, we are entitled to significant and escalating double-digit royalty payments and sales milestone payments based on annual worldwide net sales of MOVANTIK®.

In March 2016, AstraZeneca announced that it had entered into an agreement with ProStrakan Group plc, a subsidiary of Kyowa Hakko Kirin Co. Ltd. (Kirin), granting Kirin exclusive marketing rights to MOVENTIG® in the EU, Iceland, Liechtenstein, Norway and Switzerland. Under our license agreement with AstraZeneca, we and AstraZeneca share the upfront payment, market access milestone payments, royalties and sales milestone payments made by Kirin to AstraZeneca with AstraZeneca receiving 60% and Nektar receiving 40%. As of December 31, 2020, we have received a total of $37.6 million of milestone payments resulting from these sublicense arrangements, all of which was received in or before 2017.

As of December 31, 2020, we do not have deferred revenue related to our agreement with AstraZeneca.

As part of its approval of MOVANTIK®, the FDA required AstraZeneca to perform a post-marketing, observational epidemiological study comparing MOVANTIK® to other treatments of OIC in patients with chronic, non-cancer pain. As a result, the royalty rate payable to us from net sales of MOVANTIK® in the U.S. by AstraZeneca can be reduced by up to two percentage points to fund 33% of the external costs incurred by AstraZeneca to fund such post approval study, subject to a

$35.0 million aggregate cap. As a result of the 2020 Purchase and Sale Agreement as described in Note 7, AstraZeneca will deduct these costs from the royalties paid to HCR. Before we entered into the 2020 Purchase and Sale Agreement, our cumulative share of the post-approval study expenses was not significant. Any costs incurred by AstraZeneca can only be recovered by the reduction of the royalty payments. In no case can amounts be recovered by the reduction of a contingent payment due from AstraZeneca to us or through a payment from us to AstraZeneca.

In April 2020, AstraZeneca announced that it had sublicensed its global commercialization rights for MOVANTIK®, excluding Europe, Canada and Israel, to RedHill Biopharma. This sublicense does not change our rights under the agreement with AstraZeneca and our royalty rate, royalty term and future potential sales milestones remain unchanged.

Other

In addition, as of December 31, 2020, we have other collaboration agreements, including with our collaboration partner UCB Pharma, under which we are entitled to up to a total of $40.0 million of development milestone payments upon achievement of certain development objectives, as well as sales milestones upon achievement of annual sales targets and royalties based on net sales of commercialized products, if any. However, given the current phase of development of the potential products under these collaboration agreements, we cannot estimate the probability or timing of achieving these milestones and, therefore, have excluded all development milestones from the respective transaction prices for these agreements. As of December 31, 2020, we have deferred revenue of approximately $2.0 million related to these other collaboration agreements.

Note 11 — Stock-Based Compensation

We recognize total stock-based compensation expense in our Consolidated Statements of Operations as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of goods sold	$ 2,825	$ 4,294	$ 4,629
Research and development	57,116	63,224	56,193
General and administrative	33,295	32,277	27,279
Impairment of assets and other costs for terminated program	1,025	—	—
Total stock-based compensation	$ 94,261	$ 99,795	$ 88,101

The stock-based compensation expense reported in impairment of assets and other costs for terminated program results from executive severance.

As of December 31, 2020, total unrecognized compensation costs of $193.7 million related to unvested stock-based compensation arrangements are expected to be recognized as expense over a weighted-average period of 1.79 years.

Stock-based compensation expense resulting from PSUs and our ESPP was not significant in the years ended December 31, 2020, 2019, and 2018.

Black-Scholes Assumptions

The following table lists the Black-Scholes option-pricing model assumptions used to calculate the fair value of employee and director stock options, as well as the resulting grant-date fair value:

	Year Ended December 31,		
	2020	2019	2018
Average risk-free interest rate	0.4 %	1.8 %	2.8 %
Dividend yield	0.0 %	0.0 %	0.0 %
Average volatility factor	64.1 %	62.2 %	61.0 %
Weighted-average expected life	5.6 years	5.6 years	5.1 years
Weighted-average grant-date fair value of options granted	$ 10.70	$ 12.25	$ 29.86

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

the daily historical trading data of our common stock at the time of grant over a historical period commensurate with the expected life of the stock-based award. We estimated the weighted-average expected life based on the contractual and vesting terms of the stock options, as well as historical cancellation and exercise data.

Summary of Stock Option Activity

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

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value(1)
Outstanding at December 31, 2019	14,885	$ 25.23		
Options granted	1,654	19.15		
Options exercised	(1,669)	11.69		
Options forfeited & canceled	(1,233)	45.70		
Outstanding at December 31, 2020	13,637	$ 24.30	3.96	$ 23,478
Exercisable at December 31, 2020	9,523	22.99	2.71	$ 23,468

(1) Aggregate intrinsic value represents the difference between the exercise price of the option and the closing market price of our common stock on December 31, 2020.

The intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 totaled $15.9 million, $30.6 million and $303.4 million, respectively.

Summary of RSU Activity

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

	Units Issued	Weighted-Average Grant Date Fair Value
Balance at December 31, 2019	4,935	$ 30.85
Granted	4,686	19.24
Vested and released	(1,661)	34.83
Forfeited and canceled	(866)	29.66
Balance at December 31, 2020	7,094	$ 22.46

The fair value of restricted stock that vested in the years ended December 31, 2020, 2019 and 2018 totaled $33.3 million, $32.4 million and $80.4 million, respectively.

Note 12 — Income Taxes

Income (loss) before provision for income taxes includes the following components (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Domestic	$ (445,370)	$ (441,494)	$ 680,423
Foreign	1,423	1,440	2,302
Income (loss) before provision for income taxes	$ (443,947)	$ (440,054)	$ 682,725

Provision for Income Taxes

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

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ —	$ —	$ —
State	165	139	699
Foreign	364	495	620
Total Current	529	634	1,319
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	(36)	(21)	93
Total Deferred	(36)	(21)	93
Provision for income taxes	$ 493	$ 613	$ 1,412

Our income tax provision related to continuing operations differs from the amount computed by applying the statutory income tax rate of 21% for the years ended December 31, 2020, 2019 and 2018 to pretax income (loss) as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Income tax expense (benefit) at federal statutory rate	$ (93,229)	$ (92,411)	$ 143,372
Research credits	(3,081)	(10,511)	(17,295)
Premium on equity issuance	—	—	(12,551)
Change in valuation allowance	87,060	104,440	(46,885)
Stock-based compensation	7,929	(672)	(66,716)
Non-cash royalty revenue related to sale of future royalties	(7,967)	(7,624)	(6,995)
Non-cash interest expense on liability related to sale of future royalties	6,356	5,259	4,451
Other	3,425	2,132	4,031
Provision for income taxes	$ 493	$ 613	$ 1,412

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We measure deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. Significant components of our deferred tax assets for federal and state income taxes are as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 456,284	$ 399,361
Research and other credits	132,994	128,015
Operating lease liabilities	35,672	36,907
Liability related to the sale of future royalties	32,737	—
Stock-based compensation	32,517	30,875
Other	11,688	13,568
Deferred tax assets before valuation allowance	701,892	608,726
Valuation allowance for deferred tax assets	(670,103)	(575,087)
Total deferred tax assets	31,789	33,639
Deferred tax liabilities:		
Operating lease right-of-use assets	(29,707)	(31,718)
Other	(1,856)	(1,725)
Total deferred tax liabilities	(31,563)	(33,443)
Net deferred tax assets	$ 226	$ 196

Realization of our deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Because of our lack of U.S. earnings history, other than income resulting from revenue recognized from the BMS Collaboration Agreement, and projected future losses, we have fully reserved our net U.S. deferred tax assets with a valuation allowance. The valuation allowance increased by $95.0 million and $114.6 million during the years ended December 31, 2020 and 2019, respectively, primarily due to the additional domestic net operating losses and credits generated in the current year that are not more likely than not of being utilized.

Net Operating Loss and Tax Credit Carryforwards

As of December 31, 2020, we had a net operating loss carryforward for federal income tax purposes of approximately $2.0 billion, portions of which will begin to expire in 2021. As of December 31, 2020, we had a total state net operating loss carryforward of approximately $1.3 billion, portions of which will begin to expire in 2026. Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions.

We have federal research credits of approximately $98.9 million, which will begin to expire in 2023 and state research credits of approximately $44.0 million which have no expiration date. We have federal orphan drug credits of $17.7 million which will begin to expire in 2026. These tax credits are subject to the same limitations discussed above.

Unrecognized tax benefits

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

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	$ 77,410	$ 27,419	$ 20,483
Tax positions related to current year:			
Additions	2,512	49,858	5,664
Reductions	—	—	—
Tax positions related to prior years:			
Additions	193	277	1,272
Reductions	(1,450)	(144)	—
Settlements	—	—	—
Lapses in statute of limitations	—	—	—
Ending balance	$ 78,665	$ 77,410	$ 27,419

If we are eventually able to recognize our uncertain positions, our effective tax rate may be reduced. We currently have a full valuation allowance against our U.S. net deferred tax asset which would impact the timing of the effective tax rate benefit should any of these uncertain tax positions be favorably settled in the future. Adjustments to the substantial majority of our uncertain tax positions would result in an adjustment of our net operating loss or tax credit carry forwards rather than resulting in a cash outlay.

We file income tax returns in the U.S., California, Alabama, certain other states and India. Because of net operating losses and research credit carryovers, substantially all of our domestic tax years remain open and subject to examination. We may be subject to examination in India from time to time, but we do not believe that any resulting liability resulting from such an examination would have a material effect on our financial position or results of operations.

Our policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for income taxes in the consolidated statements of operations. During the years ended December 31, 2020, 2019 and 2018, no significant interest or penalties were recognized relating to unrecognized tax benefits. Although it is reasonably possible that certain unrecognized tax benefits could change in the future, we do not anticipate any changes over the next twelve months.

Note 13 — Segment Reporting

We operate in one business segment which focuses on applying our technology platforms to develop novel drug candidates. 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.

Our revenue is derived primarily from customers in the pharmaceutical and biotechnology industries. Revenue from BMS, UCB Pharma, Baxalta / Takeda, and AstraZeneca represented 33%, 23%, 14% and 13% of our revenue, respectively, for the year ended December 31, 2020. Revenue from UCB Pharma, Baxalta / Takeda, and AstraZeneca represented 28%, 19%, and 17% of our revenue for the year-ended December 31, 2019. Revenue from BMS represented 89% of our revenue, for the year ended December 31, 2018.

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

	Year Ended December 31,		
	2020	2019	2018
United States	$ 64,966	$ 27,093	$ 1,090,794
Rest of World	87,949	87,524	102,529
Total revenue	$ 152,915	$ 114,617	$ 1,193,323

At December 31, 2020, $54.5 million, or approximately 91%, of the net book value of our property, plant and equipment was located in the United States and $5.1 million, or approximately 9%, was located in India. At December 31,

2019, $59.7 million, or approximately 92%, of the net book value of our property, plant and equipment was located in the United States and $5.3 million, or approximately 8%, was located in India.

Note 14 — Subsequent Event

On February 12, 2021, we entered into a co-development agreement (the Agreement) with SFJ Pharmaceuticals XII, L.P., an SFJ Pharmaceuticals Group company (SFJ), pursuant to which SFJ will pay up to $150.0 million in committed funding to support a Phase 2/3 study of bempegaldesleukin in combination with Keytruda® for first-line treatment of patients with metastatic or unresectable recurrent squamous cell carcinoma of the head and neck (the SCCHN Clinical Trial) whose tumors express PD-L1 (the SCCHN Indication). SFJ Pharmaceuticals is a global drug development company backed by Blackstone Life Sciences and Abingworth.

SFJ will have primary responsibility for the clinical trial management of the SCCHN Clinical Trial, and we will be the sponsor of the SCCHN Clinical Trial and will also have sole responsibility for regulatory interactions and approval activities for bempegaldesleukin. We and BMS, pursuant to the BMS Collaboration Agreement, remain solely responsible for conducting the Phase 3 clinical trials of bempegaldesleukin in combination with Opdivo®, including the treatment of previously untreated unresectable or metastatic melanoma (the “Melanoma Indication” and the “Melanoma Clinical Trial”).

Other than the opportunity to receive Success Payments as outlined below, SFJ has no right to reimbursement of costs incurred by SFJ for the SCCHN Clinical Trial in the event that the Melanoma Clinical Trial and/or the SCCHN Clinical Trial do not meet their primary endpoints. We will pay SFJ a series of success-based annual payments (collectively, the Success Payments) in the event of FDA approval of bempegaldesleukin for the Melanoma Indication, the SCCHN Indication, or both, and in the event of FDA approval of one additional bempegaldesleukin indication. The Success Payments do not begin until the completion of certain SCCHN Clinical Trial activities. The total success-based annual payments for the first indication approved by FDA, whether for the Melanoma Indication or the SCCHN Indication, is an aggregate of $450.0 million, paid in annual installments over five years. The total success-based payments for the second indication approved by FDA, whether for the Melanoma Indication or the SCCHN Indication, is an aggregate of $150.0 million, paid in annual installments over seven years. Finally, in the event of FDA approval for bempegaldesleukin for any indication other than the Melanoma Indication or the SCCHN Indication, we will make a one-time payment of $37.5 million to SFJ.

The Agreement provides for certain positive and negative covenants, including restrictions on our ability to incur liens on our intellectual property related to bempegaldesleukin (the bempegaldesleukin IP), or assign or convey any right to receive income with respect to the bempegaldesleukin IP (other than royalty and other license fee obligations to licensors), except for the issuance of senior secured debt secured by all or substantially all of our assets, including the bempegaldesleukin IP.

The Agreement expires upon the payment of all Success Payments to SFJ, unless earlier terminated as provided under the Agreement. The Agreement may be terminated by either party for a safety or health concern for the patients, whether by the independent data monitoring company or by mutual agreement of both parties. The Agreement may also be terminated by either party for material breach or insolvency of the counterparty.

Note 15 — Selected Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly financial data. In our opinion, the unaudited information set forth below has been prepared on the same basis as our audited information and includes all adjustments necessary to present fairly the information set forth herein. We have experienced fluctuations in our quarterly results and expect these fluctuations to continue in the future. Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results will not be meaningful, and the results for any one quarter may not be indicative of our future performance. All data is in thousands except per share information.

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Product sales	$ 3,444	$ 5,485	$ 5,691	$ 2,884	$ 4,398	$ 4,346	$ 5,558	$ 5,815
Total revenue	$ 50,573	$ 48,847	$ 30,033	$ 23,462	$ 28,222	$ 23,315	$ 29,218	$ 33,862
Cost of goods sold	$ 3,811	$ 5,773	$ 5,570	$ 4,323	$ 5,440	$ 5,018	$ 4,927	$ 5,989
Research and development expenses	$ 108,987	$ 96,436	$ 100,531	$ 102,724	$ 118,463	$ 106,686	$ 99,048	$ 110,369
Operating loss	$ (133,631)	$ (77,709)	$ (103,050)	$ (110,721)	$ (120,687)	$ (110,970)	$ (98,740)	$ (109,638)
Net loss	$ (138,651)	$ (80,000)	$ (108,586)	$ (117,203)	$ (119,632)	$ (110,286)	$ (98,585)	$ (112,164)
Net loss per share(1)								
Basic	$ (0.78)	$ (0.45)	$ (0.61)	$ (0.65)	$ (0.69)	$ (0.63)	$ (0.56)	$ (0.64)
Diluted	$ (0.78)	$ (0.45)	$ (0.61)	$ (0.65)	$ (0.69)	$ (0.63)	$ (0.56)	$ (0.64)

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

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

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

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

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

Management's Annual Report on Internal Control over Financial Reporting

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

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making its assessment of internal control over financial reporting, management used the criteria described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

Based on our evaluation under the framework described in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Control Over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the Company. There was no change in our internal control over financial reporting during the quarter ended December 31, 2020, which was identified in connection with our management's evaluation required by Exchange Act Rules 13a-15(f) and 15d-15(f) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Specifically, despite the fact that most of our employees are working remotely due to the COVID-19 pandemic, we do not believe that our adjustments to how we work have materially impacted our internal controls over financial reporting. We continue to monitor and assess the potential impact of the COVID-19 pandemic, and the related shelter-in-place requirements, on our internal controls and strive to minimize the impact on our internal control design and operating effectiveness.

Inherent 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.

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

None.

PART III

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

Information relating to our executive officers required by this item is set forth in Part I — Item 1 of this report under the caption "Executive Officers of the Registrant" and is incorporated herein by reference. The other information required by this Item is incorporated by reference from the definitive proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A (Proxy Statement) not later than 120 days after the end of the fiscal year covered by this Form 10-K under the captions "Corporate Governance and Board of Directors," "Proposal 1 — Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance."

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

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

As permitted by SEC Rule 10b5-1, certain of our executive officers, directors and other employees have or may set up a predefined, structured stock trading program with their broker to sell our stock. The stock trading program allows a broker acting on behalf of the executive officer, director or other employee to trade our stock during blackout periods or while such executive officer, director or other employee may be aware of material, nonpublic information, if the trade is performed according to a pre-existing contract, instruction or plan that was established with the broker when such executive officer, director or employee was not aware of any material, nonpublic information. Executive officers and directors can only sell our stock in accordance with our securities trading policy and pursuant to a stock trading program set up under Rule 10b5-1 (wherein "exercise and hold" and stock purchases are exempted, and sales outside such a program can proceed upon approval of the Nominating and Corporate Governance Committee of our Board of Directors. Employees who are not executive officers may trade our stock outside of the stock trading programs set up under Rule 10b5-1 subject to our securities trading policy.

Item 11. *Executive Compensation*

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

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

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

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

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

Item 14. *Principal Accountant Fees and Services*

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

PART IV

Item *15. Exhibits and Financial Statement Schedules*

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

(1) Consolidated Financial Statements:

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

(2) *Financial Statement Schedules:*

All financial statement schedules have been omitted because they are not applicable, or the information required is presented in our consolidated financial statements and notes thereto under Item 8 of this Annual Report on Form 10-K.

(3) *Exhibits.*

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

Exhibit Number	Description of Documents
2.1(1)	Asset Purchase Agreement, dated October 20, 2008, by and between Nektar Therapeutics, a Delaware corporation, AeroGen, Inc., a Delaware corporation and wholly-owned subsidiary of Nektar Therapeutics, Novartis Pharmaceuticals Corporation, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
3.1(2)	Certificate of Incorporation of Inhale Therapeutic Systems (Delaware), Inc.
3.2(3)	Certificate of Amendment of the Amended Certificate of Incorporation of Inhale Therapeutic Systems, Inc.
3.3(4)	Certificate of Ownership and Merger of Nektar Therapeutics.
3.4(5)	Certificate of Ownership and Merger of Nektar Therapeutics AL, Corporation with and into Nektar Therapeutics.
3.5(6)	Amended and Restated Bylaws of Nektar Therapeutics.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, and 3.5.
4.2(4)	Specimen Common Stock certificate.
4.3(7)	Indenture dated October 5, 2015 by and between Nektar Therapeutics and Wilmington Trust, National Association, and TC Lending, LLC including the form of 7.75% Senior Secured Note due 2020.
4.4(29)	Description of Securities.

Exhibit Number	Description of Documents
10.1(8)	2000 Equity Incentive Plan, as amended and restated.++
10.2(8)	2000 Non-Officer Equity Incentive Plan, as amended and restated.++
10.3(8)	2008 Equity Incentive Plan, as amended and restated.++
10.4(8)	Discretionary Incentive Compensation Policy++
10.5(8)	Amended and Restated Change of Control Severance Benefit Plan.++
10.6(9)	2012 Performance Incentive Plan.++
10.7(10)	Forms of Stock Option Agreement, Performance Stock Option Agreement, Restricted Stock Unit Agreement and Performance Restricted Stock Unit Agreement under the 2012 Performance Incentive Plan.++
10.8(11)	Nektar Therapeutics Amended and Restated 2017 Performance Incentive Plan.++
10.9(12)	Forms of Stock Option Agreement, Performance Stock Option Agreement, Non-Employee Director Stock Option Agreement, Restricted Stock Unit Agreement, Performance Restricted Stock Unit Agreement, and Non-Employee Director Restricted Stock Unit Agreement under the Amended and Restated 2017 Performance Incentive Plan.++
10.10(13)	Employee Stock Purchase Plan, as amended and restated.++
10.11(14)	Amended and Restated Compensation Plan for Non-Employee Directors.++
10.12(15)	401(k) Retirement Plan.++
10.13(16)	Form of Severance Letter for executive officers of the company.++
10.14(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with Howard W. Robin.++
10.15(1)	Amended and Restated Letter Agreement, executed effective on December 1, 2008, with John Nicholson.++
10.16(17)	Letter Agreement, executed effective on December 10, 2009, with Stephen K. Doberstein, Ph.D.++
10.17(28)	Transition, Separation and General Release Agreement, dated as of January 9, 2020, by and between Stephen K. Doberstein and Nektar Therapeutics. ++
10.18(19)	Separation, Consulting and General Release Agreement effective as of October 15, 2019, by and between Nektar Therapeutics and John Nicholson.++
10.19(28)	Employment Agreement effective as of December 4, 2019, by and between Nektar Therapeutics and John Northcott.++
10.20(16)	Amended and Restated Built-to-Suit Lease between Nektar Therapeutics and BMR-201 Industrial Road LLC, dated August 17, 2004, as amended on January 11, 2005 and July 19, 2007.

Exhibit Number	Description of Documents
10.21(18)	Lease Agreement dated August 4, 2017, as amended by the First Amendment to Lease dated as of August 29, 2017, by and between ARE-San Francisco No. 19, LLC and Nektar Therapeutics.
10.22(20)	Settlement Agreement and General Release, dated June 30, 2006, by and between The Board of Trustees of the University of Alabama, The University of Alabama in Huntsville, Nektar Therapeutics AL, Corporation (a wholly-owned subsidiary of Nektar Therapeutics), Nektar Therapeutics and J. Milton Harris.
10.23(1)	Exclusive Research, Development, License and Manufacturing and Supply Agreement, by and among Nektar AL Corporation, Baxter Healthcare SA, and Baxter Healthcare Corporation, dated September 26, 2005, as amended.+
10.24(1)	Exclusive License Agreement, dated December 31, 2008, between Nektar Therapeutics, a Delaware corporation, and Novartis Pharma AG, a Swiss corporation.+
10.25(17)	Supply, Dedicated Suite and Manufacturing Guarantee Agreement, dated October 29, 2010, by and among Nektar Therapeutics, Amgen Inc. and Amgen Manufacturing, Limited.+
10.26(21)	License Agreement by and between AstraZeneca AB and Nektar Therapeutics, dated September 20, 2009.+
10.27(22)	Collaboration and License Agreement dated as of May 30, 2016, by and between Daiichi Sankyo Europe GmbH and Nektar Therapeutics.
10.28(18)	License Agreement effective as of August 23, 2017, by and between Eli Lilly and Company and Nektar Therapeutics.
10.29(7)	Purchase Agreement dated September 30, 2015 by and among Nektar Therapeutics and TC Lending, LLC and TAO Fund, LLC.
10.30(7)	Pledge and Security Agreement dated October 5, 2015 by and among Nektar Therapeutics and TC Lending, LLC.
10.31(23)	Purchase and Sale Agreement, dated as of February 24, 2012, between Nektar Therapeutics and RPI Finance Trust.+
10.32(24)	Amendment No. 1 to License Agreement dated effective as of August 8, 2013, by and between Nektar Therapeutics and AstraZeneca AB.+
10.33(25)	Investor Agreement, dated as of February 13, 2018, by and between Bristol-Myers Squibb and Company and Nektar Therapeutics.+
10.34(25)	Strategic Collaboration Agreement, dated as of February 13, 2018, by and between Bristol-Myers Squibb and Company and Nektar Therapeutics.+
10.35(29)	Co-Development Agreement, dated as of February 12, 2021, by and between SFJ Pharmaceuticals XII, L.P. and Nektar Therapeutics.+
10.36(28)	Amendment No. 1 to Strategic Collaboration Agreement dated as of January 9, 2020, by and between Bristol-Myers Squibb and Company and Nektar Therapeutics.+
10.37(26)	Share Purchase Agreement, dated as of February 13, 2018, by and between Bristol-Myers Squibb and Company and Nektar Therapeutics.

Exhibit Number	Description of Documents
10.38(27)	Office Lease, effective as of May 31, 2018, by and between Kilroy Realty Finance Partnership, L.P., and Nektar Therapeutics.
10.39(29)	Purchase and Sale Agreement, dated December 16, 2020, by and between entities managed by Healthcare Royalty Management, LLC and Nektar Therapeutics.+
21.1(29)	Subsidiaries of Nektar Therapeutics.
23.1(29)	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (reference is made to the signature page).
31.1(29)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(29)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1*	Section 1350 Certifications.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Label Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104**	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

+ Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit in accordance with the rules of the Securities and Exchange Commission.

++ Management contract or compensatory plan or arrangement.

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

** Inline XBRL information is filed herewith.

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

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

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

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

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

(6) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on December 21, 2020.

(7) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on October 6, 2015.

(8) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2011.

(9) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on June 17, 2015.

(10) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K filed on December 17, 2015.
(11) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 10-Q, filed on August 7, 2020.
(12) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2018.
(13) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on June 27, 2014.
(14) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2012.
(15) Incorporated by reference to the indicated exhibit in Nektar Therapeutics Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(16) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
(17) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report on Form 10-K for the year ended December 31, 2010.
(18) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.
(19) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.
(20) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(21) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(22) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.
(23) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.
(24) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
(25) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.
(26) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K filed on February 14, 2018.
(27) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.
(28) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Annual Report for the year ended December 31, 2019.
(29) Filed herewith.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City and County of San Francisco, State of California on February 25, 2021.

By: /s/ GIL M. LABRUCHERIE

Gil M. Labrucherie

Senior Vice President, Chief Operating Officer, and Chief Financial Officer

By: /s/ JILLIAN B. THOMSEN

Jillian B. Thomsen

Senior Vice President, Finance and Chief Accounting Officer

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ HOWARD W. ROBIN **Howard W. Robin**	Chief Executive Officer, President and Director (Principal Executive Officer)	February 25, 2021
/s/ GIL M. LABRUCHERIE **Gil M. Labrucherie**	Senior Vice President, Chief Operating Officer, and Chief Financial Officer (Principal Financial Officer)	February 25, 2021
/s/ JILLIAN B. THOMSEN **Jillian B. Thomsen**	Senior Vice President, Finance and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2021
/s/ ROBERT B. CHESS **Robert B. Chess**	Director, Chairman of the Board of Directors	February 25, 2021
/s/ JEFFREY R. AJER **Jeffrey R. Ajer**	Director	February 25, 2021
/s/ MYRIAM J. CURET **Myriam J. Curet**	Director	February 25, 2021
/s/ KARIN EASTHAM **Karin Eastham**	Director	February 25, 2021
/s/ R. SCOTT GREER **R. Scott Greer**	Director	February 25, 2021
/s/ ROY A. WHITFIELD **Roy A. Whitfield**	Director	February 25, 2021

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

CO-DEVELOPMENT AGREEMENT

This Co-Development Agreement ("Agreement"), made effective as of February ___, 2021 (the "Effective Date"), is by and between Nektar Therapeutics, a Delaware corporation ("Nektar"), and SFJ Pharmaceuticals XII, L.P. ("SFJ"), a Delaware limited partnership (each, a "Party" and collectively, the "Parties").

WHEREAS, SFJ is in the business of facilitating, among other things, the development and approval of pharmaceutical products and desires to fund and conduct the clinical trial for the development of the Product for the use, in combination with pembrolizumab as a first line treatment of patients with squamous cell carcinoma of the head and neck (the "HNC Indication"); and

WHEREAS, Nektar has rights to the Product, is conducting clinical trials of the Product globally for various indications and would like to enter into an agreement with SFJ to conduct and fund the HNC Clinical Trials of the Product.

NOW THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Defined Terms. Initially capitalized terms will have the meaning ascribed to such terms in this Agreement, including the following terms which will have the following respective meanings:

1.1.1 "AAA" has the meaning ascribed to such term in Section 14.10.1.

1.1.2 "Accelerated Regulatory Approval" means (i) an accelerated approval of an indication by the FDA based on a surrogate or an intermediate clinical endpoint under Section 901 of the Food and Drug Administration Safety Innovations Act (FDASIA), and (ii) that the prescribing label states "that the drug was approved based upon accelerated approval and that continued approval for the drug (or indication) may be contingent upon verification and description of clinical benefit in a confirmatory trial or trials."

1.1.3 "Adverse Patent Impact" has the meaning ascribed to such term in Section 13.2.7.

1.1.4 "Affiliate" means, with respect to a party, a business entity under common control with, or controlling or controlled by, such party, with "control" meaning direct or indirect

ownership of 50% or more of the voting interest in such other entity, and in the case of a partnership, control of the general partner. Notwithstanding the foregoing, (a) neither The Blackstone Group Inc. ("Blackstone") nor any of its divisions, including Blackstone Life Sciences Advisors L.L.C. ("BXLS"), nor any funds managed by Blackstone, BXLS or their respective Affiliates shall be deemed to be an "Affiliate" of SFJ, (b) neither Abingworth LLP nor any of its subsidiaries or divisions, nor any funds managed by the foregoing, shall be deemed to be an "Affiliate" of SFJ and (c) SFJ Pharmaceuticals, Inc. shall not be deemed to be an "Affiliate" of SFJ.

1.1.5 "Alliance Manager" has the meaning ascribed to such term in Section 5.1.5.

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

1.1.7 "Applicable Law" means the applicable laws, rules and regulations, including any rules, regulations, guidelines, or other requirements of any Governmental Authorities (including any Regulatory Authorities), to the extent legally binding, that may be in effect from time to time. For clarity, Applicable Laws will include the FFDCA, the PHSA, the Anti-Corruption Laws, and all laws, regulations and legally binding guidelines applicable to the Clinical Trials, including GCP, GLP, GMP and ICH guidelines.

1.1.8 "Approval Buy-Out Payment" has the meaning ascribed to such term in Section 6.7.1.

1.1.9 "Approved CRO" has the meaning ascribed to such term in Section 2.4.1.

1.1.10 "Approved Third Party Vendor Costs" has the meaning ascribed to such term in Section 5.2.2.2.

1.1.11 "Approved Vendor" has the meaning ascribed to such term in Section 2.4.2.

1.1.12 [***]

1.1.13 "BEMPEG" means bempegaldesleukin.

1.1.14 "BLA" means: (a) a biologics license application submitted to the FDA pursuant to Section 351(a) of the PHSA and the regulations promulgated thereunder, or its successor application; or (b) an application for authorization to market and/or sell a biological product in any country or regulatory jurisdiction other than the US submitted to the applicable Regulatory Authority in such country or regulatory jurisdiction, including, with respect to the EU, a marketing authorization application submitted either (i) to the EMA pursuant to the centralized EU filing procedure or (ii) to the applicable national Regulatory Authority in an individual EU member state if the centralized EU filing procedure is not used.

1.1.15 "BMS" means Bristol-Myers Squibb Company, a Delaware corporation.

1.1.16 "BMS Strategic Collaboration Agreement" means the Strategic Collaboration Agreement between BMS and Nektar dated February 13, 2018, as amended by that certain First Amendment to the Strategic Collaboration Agreement dated January 9, 2020.

1.1.17 "Business Day" means a day that is not a Saturday, Sunday or a US federal holiday.

1.1.18 "Buy-Out Payment" means an Approval Buy-Out Payment or a Change of Control Payment.

1.1.19 "Calendar Quarter" means each successive period of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31; provided, that, the (a) the first Calendar Quarter shall begin on the Effective Date and end on the last day of the Calendar Quarter in which the Effective Date falls, and (b) the final Calendar Quarter shall end on the last day of the Term.

1.1.20 "Calendar Year" means each successive period of twelve (12) months commencing on January 1 and ending on December 31; provided, that, (a) the first Calendar Year shall begin on the Effective Date and end on December 31 of the Calendar Year in which the Effective Date falls, and (b) the final Calendar Year shall end on the last day of the Term.

1.1.21 "Case Report Form" or "CRF" means the collection of documents designed specifically for recording data pursuant to the Protocol. A CRF is completed for each Subject and will be in electronic form, validated and in compliance with all Applicable Laws.

1.1.22 "Change of Control" means, with respect to Nektar, at any time prior to the date of the payment by Nektar of the final Success Payment hereunder, (a) a merger, reorganization or consolidation with a Third Party which results in the voting securities of Nektar outstanding immediately prior thereto ceasing to represent, or being converted into or exchanged for voting securities that do not represent, at least fifty percent (50%) of the combined voting power of the voting securities of the surviving entity or the parent corporation of the surviving entity immediately after such merger, reorganization or consolidation, (b) a transaction in which a Third Party becomes the beneficial owner of fifty percent (50%) or more of the combined voting power of the outstanding securities of Nektar, other than through the issuance of voting securities for the purpose of raising financing to one or more financial or institutional investors that are not then controlled by an entity engaged in the development or commercialization of pharmaceutical or biotechnology products, or (c) the sale or other transfer of all or substantially all of Nektar's business or assets. For avoidance of doubt, a Licensing Transaction shall not constitute a Change of Control.

1.1.23 "Change of Control Payment" has the meaning ascribed to such term in Section 6.7.2.

1.1.24 "Claim" means any Third Party claim, demand, suit and/or cause of action.

1.1.25 "Clinical Investigator" means the principal investigator at each Site.

1.1.26 "Clinical Investigator Meeting" has the meaning ascribed to such term in Section 3.2.2.1.

1.1.27 "Clinical Trials" means the Melanoma Clinical Trial and the HNC Clinical Trials.

1.1.28 "Clinical Trial Activity" has the meaning ascribed to such term in Section 2.3.1.

1.1.29 "Clinical Trial Agreement" has the meaning ascribed to such term in Section 3.2.1.2.

1.1.30 "Clinical Trial Success Criteria" means the Melanoma Clinical Trial Success Criteria or the HNC Clinical Trial Success Criteria, as the case may be.

1.1.31 "Clinical Trials Database" has the meaning ascribed to such term in Section 3.5.3.1.

1.1.32 "Clinical Trials Master File" has the meaning ascribed to such term in Section 3.5.4.

1.1.33 "CMC" means chemistry, manufacturing and controls.

1.1.34 "CMC Information" means the CMC information intended or required for the submission of an IND or BLA.

1.1.35 "CMO" means contract manufacturing organization or contract development and manufacturing organization.

1.1.36 "Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder.

1.1.37 "Commercial Launch" means, with respect to the Product, the first sale to a Third Party of such Product in the United States after the applicable Regulatory Approval.

1.1.38 "Commercialization" or "Commercialize" means the commercial manufacture, marketing, promotion, sale and/or distribution of the Product. For clarity, Commercialization excludes all activities associated with development and seeking Regulatory Approval for the Product.

1.1.39 "Commercially Reasonable Efforts" means with respect to the performance of activities under this Agreement by Party (and (x) in the case of SFJ as pertains to

its role in conducting the HNC Clinical Trials, and (y) in the case of Nektar as pertains to its role in conducting or monitoring the Melanoma Clinical Trial): reasonable, diligent, good-faith efforts to accomplish such objective [***].

1.1.40 "Competing Product" means an IL-2 conjugate used for the treatment of HNC.

1.1.41 "Completion Date" means, as to a particular Clinical Trial, the earlier of (a) the date of the final CSR for such Clinical Trial and (b) the date such Clinical Trial or this Agreement is terminated.

1.1.42 "Confidential Information" of a Party means all information and materials provided and/or disclosed (including in written form, electronic form or otherwise) by, or on behalf of, such Party or its Affiliates or their Representatives to the other Party, its Affiliates, or its of their Representatives in connection with this Agreement, including, technical, scientific, regulatory and other information, results, knowledge, techniques, data, analyses, inventions, invention disclosures, plans, processes, methods, know-how, ideas, concepts, test data (including pharmacological, toxicological and clinical test data), analytical and quality control data, formulae, specifications, marketing, pricing, distribution, cost, sales, and manufacturing data and descriptions. In addition, the terms and conditions of this Agreement shall be deemed to be Confidential Information of both SFJ and Nektar. In addition, the Research Results shall at all times be deemed to be Confidential Information of Nektar, and Nektar and SFJ shall be deemed the disclosing Party and the receiving Party, respectively, with respect thereto.

1.1.43 "Contingent Obligation" means, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, letter of credit or other Indebtedness of another Person, in each case, directly or indirectly guaranteed, endorsed or co-made by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

1.1.44 "Control" or "Controlled" means (a) for Intellectual Property, a Party's ability to grant applicable licenses, sublicenses and/or other rights thereunder and (b) for materials and documents, a Party's ability to provide, or provide access to, such materials and/or documents, each without violating any contractual obligations to a Third Party. For clarity, if a Party only can grant a license or sublicense and/or provide rights and/or access of limited scope, for a specific purpose or under certain conditions due to an encumbrance, "Control" or "Controlled" will be construed to so limit such license, sublicense, provision of rights and/or access.

1.1.45 "Copyrights" means, collectively, all works of authorship, mask works and any and all other registered and unregistered copyrights and copyrightable works, and all applications, registrations, extensions, and renewals thereof.

1.1.46 "Cover," "Covered" or "Covering" means, with respect to the applicable Intellectual Property, in the absence of the applicable rights and licenses granted, would be infringed, misappropriated, or otherwise violated by.

1.1.47 "CRO" means contract research organization as defined in 21 C.F.R. 312.3(b).

1.1.48 "CRO Agreement" has the meaning ascribed to such term in Section 2.4.1.

1.1.49 "CSR" means, for with respect to a Clinical Trial, a clinical study report, or other equivalent document or series of materials, constituting a summary report of the clinical and medical data resulting from such Clinical Trial and prepared for incorporation into submissions seeking Regulatory Approval for the Product, and includes all statistical analyses of such data per the Statistical Analysis Plan.

1.1.50 "Data Room" means that certain electronic data room established by Nektar and to which SFJ and/or its advisors were granted access.

1.1.51 "Develop" or "Development" means all clinical and non-clinical research and development activities conducted for the Product, including toxicology, pharmacology test method development and stability testing, process development, formulation development, quality assurance and quality control development, statistical analysis, conducting Clinical Trials, regulatory affairs, and obtaining and maintaining Regulatory Approval, and related digital system and general and administrative support therefor.

1.1.52 "Development Costs" means the following internal and external costs, associated with completing the HNC Clinical Trials: (a) Approved Third Party Vendor Costs, (b) the SFJ Quarterly Labor Fees as outlined in Exhibit G-1, (c) the Nektar Quarterly Labor Fees as outlined in Exhibit G-2, and (d) such other costs that are deemed to be Development Costs as provided for in this Agreement.

1.1.53 "Development Cost Reconciliation Procedures" has the meaning ascribed to such term in Section 5.5.6.1.

1.1.54 "Development Program" means a clinical and regulatory development program to be undertaken by the Parties to Develop the Product for the Indication, carry out the Clinical Trials, and seek Regulatory Approval for the Product.

1.1.55 "Development Term" means the period commencing on the Effective Date and ending on the later of (a) the latest of the Completion Dates of the Clinical Trials, and (b) the date on which all efforts in pursuit of Regulatory Approval of the Product for any Indication have been concluded or terminated.

1.1.56 "Development Termination" has the meaning ascribed to such term in Section 13.2.2.2(b).

1.1.57 "Disclosing Party" has the meaning ascribed to such term in Section 9.1.

1.1.58 "Discount Rate" has the meaning ascribed to such term in Section 6.7.1.1.

1.1.59 "Dispute" has the meaning ascribed to such term in Section 14.10.

1.1.60 "Effective Date" has the meaning ascribed to such term in the Preamble.

1.1.61 "EU" means the European Union or any successor union of European states thereto having a substantially similar function.

1.1.62 "Excess Development Costs" has the meaning ascribed to such term in Section 4.1.

1.1.63 "Exclusive Period" means (a) in the case of the conduct of human clinical trials with respect to a Competing Product, the period beginning on the Effective Date and ending on December 31, 2025.

1.1.64 "Executive Officers" means the executive officers of each of Nektar and SFJ identified on Exhibit E.

1.1.65 "Existing Nektar Intellectual Property" has the meaning ascribed to such term in Section 10.1.1.1.

1.1.66 "FDA" means the US Food and Drug Administration and any successor agency thereto in the US having substantially the same function.

1.1.67 "FFDCA" means the US Federal Food, Drug, and Cosmetic Act, as amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

1.1.68 "First Regulatory Approval" means the first to occur of the HNC Regulatory Approval and the Melanoma Regulatory Approval.

1.1.69 "GAAP" means generally accepted accounting principles in the US, as consistently applied by the applicable Party.

1.1.70 "GMP Manufacturer" means the Party that is responsible for ensuring that the Product is manufactured in accordance with GMP.

1.1.71 "Good Clinical Practices" or "GCP" means all applicable good clinical practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable, (a) the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human

Use ("ICH") Harmonised Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for clinical trials on medicinal products; (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto; and (c) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of clinical trial Subjects.

1.1.72 "Good Manufacturing Practices" or "GMP" means all applicable good manufacturing practices including, as applicable, (a) the applicable part of quality assurance to ensure that products are consistently produced and controlled in accordance with the quality standards appropriate for their intended use, as defined in European Commission Directive 2003/94/EC laying down the principals and guidelines of good manufacturing practice; (b) the principles detailed in the US Current Good Manufacturing Practices, 21 C.F.R. Sections 210, 211, 601 and 610; (c) the Rules Governing Medicinal Product in the European Community, Volume IV Good Manufacturing Practice for Medicinal Product; (d) the principles detailed in the ICH Q7A guidelines; and (e) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.1.73 "Government Official" is broadly defined as and includes: (a) any elected or appointed government official (e.g., a member of a ministry of health); (b) any employee or person acting for or on behalf of a government official, agency, or enterprise performing a governmental function; (c) any non-US political party officer, employee, or person acting for or on behalf of a non-US political party or candidate for public office; (d) any employee or person acting for or on behalf of a public international organization; (e) all government employees and employees of state-owned enterprises; or (f) any person otherwise categorized as a government official under local law; where "government" is meant to include all levels and subdivisions of non-US governments (*i.e.*, local, regional, or national and administrative, legislative, or executive).

1.1.74 "Governmental Authority" means any supranational, federal, national, state or local court, agency, authority, department, regulatory body or other governmental instrumentality.

1.1.75 "HNC Clinical Trials" has the meaning ascribed to such term in Section 2.1.1.

1.1.76 "HNC Clinical Trial Futility" means that the HNC Main Clinical Trial meets the end of Phase 2 futility criteria set forth in the HNC Main Clinical Trial Protocol.

1.1.77 "HNC Clinical Trial Protocols" has the meaning ascribed to such term in Section 2.1.1.

1.1.78 "HNC Main Clinical Trial Protocol" has the meaning ascribed to such term in Section 2.1.1.

1.1.79 "HNC Clinical Trial Success Criteria" means that, following database lock, the results of the HNC Main Clinical Trial meet the overall survival primary endpoint set forth in the HNC Clinical Trial Protocol.

1.1.80 "HNC Indication" has the meaning ascribed to such term in the preamble of this Agreement.

1.1.81 "HNC Main Clinical Trial" means the clinical trial of the Product for the HNC Indication in accordance with the HNC Main Clinical Trial Protocol, as such protocol may be amended from time to time in accordance with this Agreement.

1.1.82 "HNC Regulatory Approval" means accelerated or full approval of a BLA for the Product for the HNC Indication by the FDA in the US. For clarity, "HNC Regulatory Approval" excludes any pricing or reimbursement approval that may be necessary or useful for marketing or sale of the Product in the US.

1.1.83 "ICH" has the meaning ascribed to such term in Section 1.1.74

1.1.84 "IDMC" means the independent data monitoring committee, which will be established pursuant to Section 3.9.1.

1.1.85 "IDMC Charter" has the meaning ascribed to such term in Section 3.9.1.

1.1.86 "IND" means an investigational new drug application, clinical trial application, clinical trial exemption, or similar application or submission filed with or submitted to a Regulatory Authority in a jurisdiction that is necessary to initiate human clinical testing of a pharmaceutical product in such jurisdiction, including any such application filed with the FDA pursuant to 21 C.F.R. Part 312.

1.1.87 "Indebtedness" means (a) indebtedness for borrowed money or the deferred price of property or services (excluding accounts payable incurred in the ordinary course of business, earn-out or similar obligations with respect to deferred purchase price and deferred compensation), (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations (as such term is understood under GAAP as in effect on the date of this Agreement, but excluding obligations treated as operating leases prior to adoption of changes described by ASC Topic 842) and (d) Contingent Obligations.

1.1.88 "Indemnification Claim Notice" has the meaning ascribed to such term in Section 11.2.1.

1.1.89 "Indemnified Party" has the meaning ascribed to such term in Section 11.2.1.

1.1.90 "Indemnifying Party" has the meaning ascribed to such term in Section 11.2.1.

1.1.91 "Indications" means (a) the HNC Indication and (b) the Melanoma Indication.

1.1.92 "Information" means technical or scientific know-how, trade secrets, methods, processes, formulae, designs, specifications and data, including biological, chemical, pharmacological, toxicological, pre-clinical, clinical, safety, manufacturing and quality control data and assays; in each case, whether or not confidential, proprietary, patented or patentable.

1.1.93 "Informed Consent" has the meaning ascribed to such term in Section 3.3.2.1.

1.1.94 "Initial Payment Date" has the meaning ascribed to such term in Section 6.1.1.

1.1.95 "Initial Payment Trigger Date" means (a) if the Melanoma Regulatory Approval occurs before the HNC Regulatory Approval, the earliest of (i) the date on which the database lock for the primary endpoint of median overall survival in the Phase 3 portion of the HNC Main Clinical Trial used for a full approval of a BLA for the Product for the HNC Indication occurs and (ii) the 18-month anniversary of the last patient-in for the HNC Main Clinical Trial [***], or (b) if the HNC Regulatory Approval occurs on or before the Melanoma Regulatory Approval, the day following the HNC Regulatory Approval.

1.1.96 "Initial Schedule A Success Payment" has the meaning ascribed to such term in Section 6.1.1.

1.1.97 "Initial Schedule B Success Payment" has the meaning ascribed to such term in Section 6.1.2.

1.1.98 "Intellectual Property" means all intellectual property and industrial property rights of any kind or nature throughout the world, including all US and foreign, (a) Patents; (b) Trademarks; (c) Copyrights; (d) rights in computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, technology supporting the foregoing, and all documentation, including user manuals and training materials, related to any of the foregoing; (e) trade secrets and all other Confidential Information, know-how, inventions, proprietary processes, formulae, models, and methodologies; (f) rights of publicity, privacy, and rights to personal information; (g) all rights in the foregoing and in other similar intangible assets; and (h) all applications and registrations for the foregoing.

1.1.99 "Investigator's Brochure" means the written document containing a brief description of the drug substance and formulation of the Product, a summary of the pharmacological and toxicological effects of the Product in animals and human nonclinical models, a summary of the pharmacokinetics and biological disposition of the Product in animals and humans, a summary of information relating to safety and effectiveness of the Product in humans obtained from prior clinical studies, and a description of possible risks and side effects to be anticipated on the basis of prior experience with the Product under investigation or with related drugs.

1.1.100 "IRB" means institutional review board, or its equivalent.

1.1.101 "ISC" has the meaning ascribed to such term Section 3.9.1.

1.1.102 "JOC" has the meaning ascribed to such term in Section 5.4.1.

1.1.103 "JOC Chairperson" has the meaning ascribed to such term in Section 5.4.2.

1.1.104 "JOC Representative(s)" has the meaning ascribed to such term in Section 5.4.1.

1.1.105 "JFC" has the meaning ascribed to such term in Section 5.5.1.

1.1.106 "JFC Chairperson" has the meaning ascribed to such term in Section 5.5.2.

1.1.107 "JFC Representatives" has the meaning ascribed to such term in Section 5.5.1.

1.1.108 "JPT" has the meaning ascribed to such term in Section 5.4.6.

1.1.109 "JSC" has the meaning ascribed to such term in Section 5.1.1

1.1.110 "JSC Chairperson" has the meaning ascribed to such term in Section 5.1.2.

1.1.111 "JSC Representative(s)" has the meaning ascribed to such term in Section 5.1.1.

1.1.112 "Knowledge of Nektar" means [***].

1.1.113 "Leftover Funding" has the meaning ascribed to such term in Section 4.2.1.3.

1.1.114 "Licensing Transaction" means: a license or sublicense to a Third Party under any of the Nektar Intellectual Property to Commercialize the Product or an equivalent sale or other transfer of Nektar Intellectual Property that conveys the right to Commercialize the Product (other than, (a) in the case of a Third Party contract testing, development, research and/or manufacturing organization, a license or sublicense to commercially manufacture the Product on behalf of Nektar or its Affiliates, without any license or sublicense to engage in any other Commercialization activities with respect to the Product and (b) in the case of a Third Party wholesaler, distributor or distribution logistics services provider, a license or sublicense to distribute the Product (and/or conduct other typical distribution activities) on behalf of Nektar or its Affiliates, without any license or sublicense to engage in any other Commercialization activities with respect to the Product), in each case, other than in conjunction with a permitted assignment of this Agreement pursuant to Section 14.6 in connection with the sale or other transfer of all or substantially all of its business or assets to which this Agreement relates.

1.1.115 "Lien" means a mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

1.1.116 "Losses" means liabilities, losses, costs, damages, fees and/or expenses (including reasonable legal expenses and attorneys' fees) payable to a Third Party.

1.1.117 "Major European Markets" means [***].

1.1.118 "Material Anti-Corruption Law Violation" means a violation by a Party or its Affiliate of an Anti-Corruption Law relating to the subject matter of this Agreement that would, if it were publicly known, have a material adverse effect on the other Party or its Affiliate because of its relationship with such Party.

1.1.119 "Maximum Development Costs" has the meaning ascribed to such term in Section 4.1.

1.1.120 "Melanoma Clinical Trial" means the clinical trial of the Product for the Melanoma Indication with a protocol title of "A Study of NKTR-214 Combined with Nivolumab vs. Nivolumab Alone in Participants with Previously Untreated Inoperable or Metastatic Melanoma" with the ClinicalTrials.gov identifier of NCT03635983, as such protocol may be amended from time to time in accordance with the BMS Strategic Agreement.

1.1.121 "Melanoma Clinical Trial Research Results" means all Information arising out of, or resulting from, the Melanoma Clinical Trial and/or the CMC activities contemplated by the Development Program, including the Clinical Trials database for the data collected from each study site for the Melanoma Clinical Trial; but excluding Trial Inventions (including Intellectual Property in or to Trial Inventions).

1.1.122 "Melanoma Clinical Trial Success Criteria" means that the results of the Melanoma Clinical Trial meet the primary endpoint of progression free survival as set forth in the protocol of the Melanoma Clinical Trial.

1.1.123 "Melanoma Indication" means first-line metastatic or untreated, unresectable melanoma.

1.1.124 "Melanoma Regulatory Approval" means accelerated or full approval of a BLA for the Product for the Melanoma Indication by the FDA in the US. For clarity, "Melanoma Regulatory Approval" excludes any pricing or reimbursement approval that may be necessary or useful for marketing or sale of the Product in the US.

1.1.125 "Merck" mean MSD International GmbH.

1.1.126 "Merck CTCSA" means the Clinical Trial Collaboration and Supply Agreement between Merck and Nektar dated February 11, 2021.

1.1.127 "Merck Product" means Keytruda (pembrolizumab).

1.1.128 "Nektar" has the meaning ascribed to such term in the Preamble.

1.1.129 "Nektar Compliance Breach" has the meaning specified in Section 13.2.6.1.

1.1.130 "Nektar Confidential Information" means all Confidential Information provided and/or disclosed by or on behalf of Nektar or its Affiliates, agents or representatives to SFJ or its Affiliates, agents or representatives hereunder. For clarity, Nektar Confidential Information will include any and all CMC Information.

1.1.131 "Nektar Indemnified Parties" has the meaning ascribed to such term in Section 11.1.1.

1.1.132 "Nektar Intellectual Property" means all Intellectual Property owned or Controlled by Nektar that is necessary or useful for the Development, manufacture, use, sale or import of the Product, including Trial Inventions.

1.1.133 "Nektar Obligations" means all Indebtedness, liabilities and other obligations of Nektar to SFJ under or in connection with this Agreement and any other documents executed in connection herewith, including, without limitation, all amounts payable to SFJ pursuant to Article 6 hereof, all interest accrued thereon, all fees and all other amounts payable by Nektar to SFJ thereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and including interest that accrues after the commencement by or against Nektar of any bankruptcy or insolvency proceeding naming such individual or entity as the debtor in such proceeding, and including performing the Nektar Services.

1.1.134 "Nektar Quarterly Labor Fees" means the quarterly fees outlined in Exhibit G-2.

1.1.135 "Nektar Services" means performing or managing all Commercialization, publications, regulatory activities, investigational drug branch (IDB) and study reporting, including those responsibilities set forth on Exhibit H, in each case with respect to the HNC Clinical Trials and unless the HNC Clinical Trials have terminated.

1.1.136 "Nektar SOPs" has the meaning ascribed to such term in Section 3.1.4.

1.1.137 "Other Indication" means any oncology indication, other than the Indications, either alone or in combination with another drug.

1.1.138 "Other Indication Regulatory Approval" means accelerated or full approval of a BLA for the Product for an Other Indication by the FDA in the US. For clarity, "Other Indication Regulatory Approval" excludes any pricing or reimbursement approval that may be necessary or useful for marketing or sale of the Product in the US.

1.1.139 [***]

1.1.140 "Party" or "Parties" has the meaning ascribed to such term in the Preamble.

1.1.141 "Patent" will mean patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof.

1.1.142 "Permitted Third Party" means any CRO, Site, Clinical Investigator and/or Vendor to whom Nektar or SFJ has delegated responsibility or whom Nektar or SFJ has engaged in connection with the HNC Clinical Trials or any CMO whom Nektar has engaged to perform CMC related activities (including supply of Product for use in the Clinical Trials). For clarity, Third Parties that have been delegated responsibility by or engaged by a Permitted Third Party will be considered Permitted Third Parties.

1.1.143 "Person" means any individual, corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Authority.

1.1.144 "Personally Identifiable Information" means any information relating to an identified or, in combination with other information, identifiable person or persons captured in an electronic or hardcopy format, including such information as it relates to clinical trials subjects (including key-coded patient data), physicians, clinicians, healthcare professionals, consultants, or other persons participating in the Clinical Trials, and any equivalent definition in the Applicable Laws to the extent that such definition is broader than that provided here.

1.1.145 "PHSA" means the Public Health Service Act as set forth at 42 U.S.C. Chapter 6A, as may be amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

1.1.146 "Pre-Approval Commercialization Activities" has the meaning ascribed to such term in Section 4.3.

1.1.147 "Product" means the product containing BEMPEG described on Exhibit A.

1.1.148 "Product Filings" means INDs, BLAs and Regulatory Approvals (including all amendments and supplements to any of the foregoing) and other filings with, and formal submissions to, the FDA or other applicable Regulatory Authorities, in each case with respect to the Product.

1.1.149 "Quarterly Labor Fees" means, collectively, the Nektar Quarterly Labor Fees and the SFJ Quarterly Labor Fees.

1.1.150 "Receiving Party" has the meaning ascribed to such term in Section 9.1.

1.1.151 "Recipient Party" has the meaning ascribed to such term in Section 6.5.2.

1.1.152 "Regulatory Approval" means any of the HNC Regulatory Approval and the Melanoma Regulatory Approval.

1.1.153 "Regulatory Authority" means in a particular country or regulatory jurisdiction, any applicable Governmental Authority involved in granting approval to initiate or conduct clinical testing in humans, for Regulatory Approval.

1.1.154 "Representatives" has the meaning ascribed to such term in Section 12.1.3.

1.1.155 "Research Results" means all Information arising out of, or resulting from, the HNC Clinical Trials and/or the CMC activities contemplated by the Development Program, including the Clinical Trials Database; but excluding Trial Inventions (including Intellectual Property in or to Trial Inventions).

1.1.156 "Safety Concern" has the meaning ascribed to such term in Section 13.2.5.

1.1.157 "Schedule A Success Payment" has the meaning ascribed to such term in Section 6.1.1.

1.1.158 "Schedule B Success Payment" has the meaning ascribed to such term in Section 6.1.2.

1.1.159 "Second Regulatory Approval" means, following or concurrent with the First Regulatory Approval, the occurrence of an HNC Regulatory Approval (if the First Regulatory Approval was a Melanoma Regulatory Approval) or a Melanoma Regulatory Approval (if the First Regulatory Approval was an HNC Regulatory Approval).

1.1.160 "Second Regulatory Approval Date" has the meaning ascribed to such term in Section 6.1.2.

1.1.161 "Serious Safety Issue" means any SUSAR or series of SUSARs directly related to or caused by the administration of the Product in the conduct of the Clinical Trials where such SUSAR or series of SUSARs substantially diminishes the probability of receiving Regulatory Approval for the Product, or results in a Regulatory Authority imposing a clinical hold on further development of the Product which clinical hold is not lifted or removed within [***].

1.1.162 "SFJ" has the meaning ascribed to such term in the Preamble.

1.1.163 "SFJ Indemnified Parties" has the meaning ascribed to such term in Section 11.1.2.

1.1.164 "SFJ Services" means the provision of clinical development and others services by SFJ in accordance with the RACI as described in Exhibit H.

1.1.165 "SFJ SOPs" has the meaning ascribed to such term in Section 3.1.2.

1.1.166 "SFJ Quarterly Labor Fees" means the quarterly fees outlined in Exhibit G-1.

1.1.167 "Site" has the meaning ascribed to such term in Section 3.2.1.2.

1.1.168 "SOPs" means the Nektar SOPs, SFJ SOPs, or CRO SOPs as agreed to by the Parties.

1.1.169 "Specified Investors" means (a) The Blackstone Group Inc., its divisions and Affiliates including Blackstone Life Sciences, and any funds or investment vehicles managed by the foregoing, and (b) Abingworth LLP, its divisions and Affiliates, and any funds or investment vehicles managed by the foregoing.

1.1.170 "Specified Regulatory Approval" has the meaning ascribed to such term in Section 6.1.3.

1.1.171 "Statistical Analysis Plan" has the meaning ascribed to such term in Section 3.5.6.

1.1.172 "Subject" has the meaning ascribed to such term in Section 3.3.2.1.

1.1.173 "Subject Recruitment Plan" has the meaning ascribed to such term in Section 3.3.1.

1.1.174 "Subsequent Regulatory Approval" has the meaning ascribed to such term in Section 6.1.3.

1.1.175 "Success Payment Default" has the meaning ascribed to such term in Section 13.2.1.2.

1.1.176 "Success Payments" has the meaning ascribed to such term in Section 6.1.

1.1.177 "SUSAR" means a suspected unexpected serious adverse reaction, without regard to causality, that is life-threatening (i.e., causes an immediate risk of death) or that results in any of the following outcomes: death; in-patient hospitalization or prolongation of existing hospitalization; persistent or significant disability or incapacity (i.e., substantial disruption of the ability to conduct normal life functions); or a congenital anomaly or birth defect. For clarity, a planned medical or surgical procedure is not, in itself, a SUSAR.

1.1.178 "Term" has the meaning ascribed to such term in Section 13.1.

1.1.179 "Third Party" means any Person other than Nektar, SFJ and their Affiliates.

1.1.180 "Third Party Infringement" means any actual or threatened infringement, misappropriation, or other violation by a Third Party of any Intellectual Property Controlled by Nektar that relates to this Agreement and/or the Product, including the Trial Inventions.

1.1.181 "Third Party Intellectual Property" means any Intellectual Property owned or Controlled by a Third Party that is necessary or useful for, or could reasonably be expected to be relevant to, the development, manufacture, use, sale or import of the Product, including Trial Inventions.

1.1.182 "Timeline" has the meaning ascribed to such term in Section 2.3.1.

1.1.183 "Timeline Remediation Plan" has the meaning ascribed to such term in Section 2.3.2.

1.1.184 "Trademarks" means, collectively, all registered and unregistered marks, trade dress rights, logos, taglines, slogans, Internet domain names, web addresses, and other indicia of origin, together with the goodwill associated with any of the foregoing, and all applications, registrations, extensions and renewals thereof, selected for use on the Product.

1.1.185 "Trial Data Package" means all Information, in any form, generated or developed by or on behalf of a Party or any of its Affiliates (including by any of their respective Permitted Third Parties) in the conduct of the HNC Clinical Trials during the Development Term, including the Clinical Trial Database and other data and reports arising out of the HNC Clinical Trials, any Clinical Trial Agreements or any Vendor Agreements or CRO Agreements related to the conduct of the HNC Clinical Trials, including the Research Results; but, in each case, excluding Trial Inventions.

1.1.186 "Trial Invention" means: (a) any invention or discovery, whether or not patentable, made, developed, generated, conceived, or reduced to practice by or on behalf of a Party or any of its Affiliates or Permitted Third Parties, or jointly by or on behalf of the Parties or any of their respective Affiliates or Permitted Third Parties, in the course or as a result of the conduct of any Clinical Trial or any other activity conducted pursuant to this Agreement, including, without limitation, any improvement to any Existing Nektar Intellectual Property; and (b) all Intellectual Property in any of the items described in the preceding clause (a).

1.1.187 "US," "U.S." or "USA" means the United States of America, its territories and possessions, including Puerto Rico.

1.1.188 "Vendor Agreement" has the meaning ascribed to such term in Section 2.4.2.

1.1.189 "Withholding Party" has the meaning ascribed to such term in Section 6.5.2.

1.2 Construction. For purposes of this Agreement: (a) words in the singular will be held to include the plural and vice versa as the context requires; (b) the words "including" and "include" will mean "including, without limitation," unless otherwise specified; (c) the terms "hereof," "herein," "herewith," and "hereunder," and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular

provision of this Agreement; and (d) all references to "Section" and "Exhibit," unless otherwise specified, are intended to refer to a Section or Exhibit of or to this Agreement.

1.3 Conflicts. In the event of any conflict between the terms of this Agreement, the Protocol and/or any other Exhibit, the Protocol will control (as applicable), followed by the terms of this Agreement, and followed by any applicable other Exhibit.

ARTICLE 2

THE clinical trials

2.1 The HNC Clinical Trial Protocols.

2.1.1 HNC Clinical Trial Protocols. The protocol for the HNC Main Clinical Trial (the "HNC Main Clinical Trial Protocol") will be finalized by Nektar based on the draft protocol attached hereto as Exhibit D and approved by the JOC within [***] days after the Effective Date. If any additional regional trials are needed in order to supplement the HNC Main Clinical Trial, then the protocol for each such additional clinical trial of the Product (such additional trials, "Additional HNC Clinical Trials" and, together with the HNC Main Clinical Trial, the "HNC Clinical Trials" and such protocols, "Additional HNC Clinical Trial Protocols" and, together with the HNC Main Clinical Trial Protocol, the "HNC Clinical Trial Protocols") will be prepared by SFJ in consultation with Nektar and approved by the JOC.

2.1.2 Changes to the Protocols.

2.1.2.1 Any changes to the HNC Main Clinical Trial Protocol, including any country-specific appendices required by Applicable Law and changes made in response to any communications with any Regulatory Authorities, that require a submission to a Regulatory Authority, an IRB or other ethics committee, will be prepared by SFJ, with consultation from Nektar, and will require the JOC's approval, which will not be unreasonably withheld or delayed and which will be communicated to the Parties as soon as reasonably practicable following the JOC's receipt of the draft amendment from Nektar. Any changes to any Additional HNC Clinical Trial Protocol, including any country-specific appendices required by Applicable Law and changes made in response to any communications with any Regulatory Authorities, that require a submission to a Regulatory Authority, an IRB or other ethics committee, will be prepared by SFJ, with consultation from Nektar, and will require the JOC's approval, which will not be unreasonably withheld or delayed and which will be communicated to the Parties as soon as reasonably practicable following the JOC's receipt of the draft amendment from SFJ.

2.1.2.2 If either Party believes that a HNC Clinical Trial Protocol requires an amendment (for example, to comply with any Applicable Laws or based on any communications from any Regulatory Authorities), such Party will inform the JOC. If the JOC agrees that such an amendment is required, the JOC will provide each Party with written notice thereof as soon as reasonably practicable, and SFJ, with consultation from Nektar, will prepare a draft amendment to such Protocol, which will only be effective and part of such Protocol upon

approval by the JOC pursuant to Section 5.4.5.1, which approval will not be unreasonably withheld and which will be communicated to the Parties as soon as reasonably practicable following the JOC's receipt of the draft amendment from such Party.

2.1.3 Protocol Approval. Nektar will be responsible for obtaining all necessary approvals of each HNC Clinical Trial Protocol (including as required by Applicable Laws) on a global basis, in each case prior to the commencement of the applicable HNC Clinical Trial. SFJ will reasonably co-operate with Nektar in such regard.

2.2 Sponsor.

2.2.1 Sponsorship and Responsibilities. Nektar will be the sponsor of the HNC Clinical Trials. SFJ, together with one or more Permitted Third Parties, will have all responsibilities of a sponsor as specified in Applicable Laws. The responsibilities of SFJ and Nektar are set forth in Exhibit H. For purposes of 21 C.F.R. 312.52, SFJ shall be a CRO, and the document set forth on Exhibit K is the written transfer of Nektar's sponsor obligations to SFJ as required by 21 C.F.R.312.52(a) and an assumption of such sponsor obligations by SFJ as required by 21 C.F.R. 312.52(b).

2.2.2 Compliance with the Protocol and Applicable Laws. SFJ will conduct the HNC Clinical Trials and perform all other responsibilities assigned to it hereunder in compliance with the applicable Protocol, all Applicable Laws and the terms hereof.

2.2.3 Diligence. SFJ will conduct due diligence with respect to each Permitted Third Party used by SFJ to ensure that such Permitted Third Party can comply with all applicable terms and obligations of this Agreement and Applicable Laws.

2.3 Compliance with the Timeline.

2.3.1 The Timeline. The timeline for conducting the HNC Clinical Trials are attached as Exhibit I hereto (the "Timeline"). In conducting the HNC Clinical Trials, the Parties will use Commercially Reasonable Efforts to complete each activity specified on the Timeline (each, a "Clinical Trial Activity") by the date specified for such Clinical Trial Activity on the Timeline. The Parties will notify the JOC in writing upon completion or achievement of each of their designated Clinical Trial Activities.

2.3.2 Failure to Complete a Clinical Trial Activity. If a Party fails to, or reasonably believes that it will not, complete (a) any Clinical Trial Activity within [***] days of the date for completion of any Clinical Trial Activity on the Timeline or (b) the final Clinical Trial Activity within [***] of the date for the final Clinical Trial Activity on the Timeline, the Party will provide the JOC with a written remediation plan detailing the means by which, and the date on which, that Party expects to be able to complete the relevant Clinical Trial Activities (each, a "Timeline Remediation Plan"). Following receipt thereof, the JOC Representatives will discuss and consider in good faith such Timeline Remediation Plan. If the JOC approves such Timeline Remediation Plan (such approval not to be unreasonably withheld or delayed), the JOC will provide the appropriate Party with written notice thereof, specifying the dates on which, and

the detail with which, the Party will be required to update the JOC of its progress with respect thereto. If the JOC is unable to approve such Timeline Remediation Plan, the matter will be decided by the JSC in accordance with Section 5.2. After approval of a Party's Timeline Remediation Plan, if such Party believes in good faith that any modification to such Timeline Remediation Plan is necessary or appropriate, such Party may propose such modification to the JOC and shall disclose to the JOC any additional information or circumstances that have become known to such Party that form the basis for its request for modification. The JOC will discuss and consider such in good faith such modification, which shall be subject to JOC approval (such approval not to be unreasonably withheld or delayed) as described above.

2.3.3 Failure to Complete a Timeline Remediation Plan. If Nektar fails to complete a Clinical Trial Activity it is responsible for as outlined in an approved Timeline Remediation Plan, then SFJ has the right to withhold any payments due to Nektar pursuant to Section 4.2, suspend the SFJ Services and cease paying Approved Third Party Vendor Costs and incurring other Development Costs until the Clinical Trial Activity is completed, in which event SFJ will not be considered in breach of this Agreement for withholding any such amounts due to Nektar pursuant to this Section 2.3.3, suspending the HNC Clinical Trials, ceasing to pay Approved Third Party Costs and incurring other Development Costs. If SFJ fails to complete a Clinical Trial Activity it is responsible for as outlined in an approved Timeline Remediation Plan, then Nektar, at its sole discretion, may assume responsibility for completing such Clinical Trial Activity, in which event (a) SFJ shall reimburse Nektar for the costs incurred by Nektar in completing such Clinical Activity, and (b) such costs incurred by Nektar shall be included in actual Development Costs for purposes of Section 6.2, and (c) in no event shall any failure or delay by Nektar in performing any of its obligations hereunder that are dependent upon the completion of such Clinical Trial Activity constitute a breach of this Agreement, or entitle SFJ (i) to withhold any payments due to Nektar or other amounts SFJ is obligated to pay or incur pursuant to Section 4.2, (ii) to terminate this Agreement or (iii) to exercise any other remedy available to it under this Agreement.

2.4 Approved CROs and Approved Vendors.

2.4.1 Approved CROs. Except as otherwise provided herein, a Party may delegate any of its responsibilities described in Section 2.2 to (a) any of its Affiliates (subject to Section 14.1), (b) any CRO that is listed on Exhibit B or to SFJ Pharmaceuticals, Inc., or (c) any CRO that is identified by a Party from time to time during the Development Term (provided that prior to such delegation, such Party must provide notice to the JOC of the identity of the CRO to which it desires to delegate its responsibilities, the JOC shall discuss the same, and such Party shall take into reasonable consideration any comments from the JOC) (any Person listed on Exhibit B or any Person identified in accordance with clause (c) from time to time, an "Approved CRO"); provided that SFJ may not delegate any of its responsibilities to any CRO other than those identified on Exhibit B or to SFJ Pharmaceuticals, Inc. without the prior written consent of Nektar. Each Party will be required to enter into a written agreement with each Approved CRO utilized by such Party (each, a "CRO Agreement") on commercially reasonable and customary terms, consistent with industry standards for similar agreements and sufficient to enable such Party to comply with its obligations hereunder with respect to the delegated responsibilities,

including, but not limited to, Section 2.2.2, and the terms pertaining to ownership of Intellectual Property and publications, and treatment of Confidential Information.

2.4.2 Approved Vendors. Except with respect to manufacturing and supply of the Product as provided in Section 3.14.1, a Party will be permitted to contract for services, equipment, tools, materials and/or supplies required for the HNC Clinical Trials or Regulatory Approval with (a) any Person that is either listed on Exhibit C or (b) any Person that is identified by a Party from time to time during the Development Term (provided that prior to such delegation, such Party must provide notice to the JOC of the identity of the Person with which it desires to contract, the JOC shall discuss the same, and such Party shall take into reasonable consideration any comments from the JOC) (any Person listed on Exhibit C or any Person identified in accordance with clause (b) from time to time, an "Approved Vendor"); provided that SFJ may not contract for services, equipment, tools, materials and/or supplies required for the HNC Clinical Trials or Regulatory Approval with any Person other than those identified on Exhibit B and SFJ Pharmaceuticals, Inc. without the prior written consent of Nektar. Each Party will be required to enter into a written agreement with each Approved Vendor utilized by such Party (each, a "Vendor Agreement") on commercially reasonable and customary terms, consistent with industry standards for similar agreements and sufficient to enable such Party to comply with its obligations hereunder with respect to the contracted activities, including, but not limited to, the terms pertaining to publications and ownership of Intellectual Property, and treatment of Confidential Information.

2.4.3 Responsibility. For clarity, each Party will remain responsible for all of its obligations under this Agreement, notwithstanding any delegation to an Affiliate or an Approved CRO or any contracting with an Approved Vendor. Each Party shall use Commercially Reasonable Efforts to oversee the services of its Affiliates and any Approved CRO or Approved Vendor it utilizes to provide services hereunder.

2.4.4 [***]

2.5 [***] Reasonable Assistance.

2.5.1 [***]

2.5.2 Questions Pertaining to the HNC Clinical Trials. Promptly following the Effective Date during the Development Term, Nektar will identify one (1) individual with knowledge of the HNC Clinical Trials Protocol, the Product and the Merck Product who will be made available at reasonable times during normal business hours in such employee's country of residence upon reasonable advance notice to answer SFJ's questions directly pertaining to such Protocol.

ARTICLE 3

CLINICAL TRIALS ACTIVITIES, REGULATORY APPROVAL AND RESPONSIBILITIES

3.1 Parties' Roles and Responsibilities.

3.1.1 Nektar Responsibilities.

3.1.1.1 Nektar will have sole responsibility for the Melanoma Clinical Trial and the clinical trials for all Other Indications.

3.1.1.2 In regards to the HNC Clinical Trials, Nektar will have primary responsibility for all Nektar Services, provided that SFJ will provide operational support for and assist with these activities as specified on Exhibit H.

3.1.1.3 If the HNC Main Clinical Trial meets the HNC Clinical Trial Success Criteria, Nektar shall submit or cause to be submitted a BLA with the FDA and use Commercially Reasonable Efforts to do so [***] of the data read-out indicating that the Clinical Success Criteria were achieved for the HNC Indication, and will use Commercially Reasonable Efforts to perform all activities associated with submitting BLAs and seeking Regulatory Approval for the HNC Indication in the US.

3.1.1.4 If the Melanoma Clinical Trial meets the Melanoma Clinical Trial Success Criteria, Nektar shall (a) submit, cause of its controlled Affiliates to submit, or use Commercially Reasonable Efforts to cause BMS to submit a BLA with the FDA, (b) use Commercially Reasonable Efforts to do so (and cause BMS to use Commercially Reasonable Efforts (as that term is defined in the BMS Strategic Collaboration Agreement) to do so) [***] of the data read-out indicating that the Melanoma Clinical Success Criteria were achieved for the Melanoma Indication, and (c) will use Commercially Reasonable Efforts to perform or cause BMS to use Commercially Reasonable Efforts (as that term is defined in the BMS Strategic Collaboration Agreement) to perform all activities associated with submitting BLAs and seeking Regulatory Approval for the Melanoma Indication in the US.

3.1.1.5 If Nektar terminates the BMS Collaboration Agreement as a result of an uncured material breach by BMS under Section 16.2 of the BMS Collaboration Agreement, and the Melanoma Trial is transitioned to Nektar pursuant to Section 16.6(b)(i) of the BMS Collaboration Agreement, then Nektar must use Commercially Reasonable Efforts to (a) complete the Melanoma Trial and (b) if the Melanoma Trial meets the Success Criteria, file a BLA with FDA.

3.1.1.6 Following the achievement of Regulatory Approval of the Product in any country, Nektar shall use Commercially Reasonable Efforts to commercialize the Product in such country for the applicable Indication.

3.1.2 SFJ Responsibilities. SFJ will have primary responsibility for conducting the HNC Clinical Trials globally. Subject to the terms hereof, SFJ will use Commercially Reasonable Efforts to conduct, or ensure that the applicable Approved CRO conducts, the HNC Clinical Trials in accordance with SFJ's standard operating procedures (the "SFJ SOPs") that will be provided to Nektar [***] following the selection of the Approved CRO for Nektar's review and comment, as well as CRO SOPs, to the extent applicable, and SFJ will reasonably

consider incorporating such comments. Following the Effective Date, SFJ may amend any SFJ SOPs; provided that with respect to material amendments to SFJ SOPs that pertain to Clinical Trial Activities and/or other obligations that are, or will be, performed by SFJ or any Permitted Third Party utilized by SFJ during the remainder of the Term or any time thereafter as set forth in this Agreement, SFJ will provide the JOC with a copy of each such amendment to permit the JOC Representatives to review and comment on such amendments and SFJ will reasonably consider incorporating such comments.

3.1.3 Compliance. Each Party will conduct its portion of the Development Program and perform all other of its duties and responsibilities hereunder in accordance with the HNC Main Clinical Trial Protocol and any other approved Additional HNC Clinical Trial Protocols and in material compliance with all Applicable Laws. Nektar will use Commercially Reasonable Efforts to oversee the Manufacture of the Product, and Nektar will materially comply, and Nektar will require that all Permitted Third Parties of Nektar materially comply, with all Applicable Laws with respect to the analysis, storage, handling, disposal and transfer of the Product. SFJ will materially comply, and SFJ will require that all Permitted Third Parties of SFJ materially comply, with all Applicable Laws with respect to the storage, handling, disposal and transfer of all quantities of Product and Merck Product supplied by or on behalf of Nektar for use in the conduct of HNC Clinical Trials.

3.1.4 Nektar SOPs. Subject to the terms hereof, Nektar will, use Commercially Reasonable Efforts to conduct, or ensure that the applicable Approved CRO conducts, the Melanoma and Other Clinical Trials in accordance with Nektar's standard operating procedures (the "Nektar SOPs"). Nektar will use Commercially Reasonable Efforts to conduct its Clinical Trial Activities on the HNC Clinical Trials in accordance with Nektar SOPs that will be provided to SFJ [***] following the Effective Date for SFJ's review and comment. Following the Effective Date, Nektar may amend any Nektar SOPs; provided that with respect to material amendments to Nektar SOPs that pertain to Clinical Trial Activities and/or other obligations that are, or will be, performed by Nektar or any Permitted Third Party utilized by Nektar during the remainder of the Term or any time thereafter as set forth in this Agreement, Nektar will provide the JOC with a copy of each such amendment to permit the JOC Representatives to review and comment on such amendments and Nektar will reasonably consider incorporating such comments.

3.2 Sites and Clinical Investigators.

3.2.1 Selection of Sites and Investigators.

3.2.1.1 SFJ will select the study sites to conduct the HNC Clinical Trials and will inform the JOC in advance of SFJ's choice of each study site; the JOC will have the right to reject any such site(s) which the JOC will determine in its reasonable judgment are not appropriate. The study sites for the HNC Clinical Trials will be located in one or more of the countries listed on Exhibit J.

3.2.1.2 SFJ will enter, and will ensure that its Affiliates enter, and each Approved CRO will enter, into an agreement with each study site; such an agreement will

be substantially in the form agreed upon by the Parties [***] following approval by the JOC of the final Protocol (the "Clinical Trial Agreement") (upon execution of such Clinical Trial Agreement, such study site will be deemed a "Site"). If a study site requires any material changes to such form Clinical Trial Agreement, SFJ will inform the JOC and seek JOC approval of such change, and the JOC will not unreasonably withhold such approval. For clarity, each Clinical Trial Agreement will be on commercially reasonable and customary terms, consistent with industry standards for similar agreements and sufficient to enable SFJ to comply with its obligations hereunder with respect to such HNC Clinical Trial, including, but not limited to, Section 2.2.2, the terms pertaining to ownership of Intellectual Property and publications, and treatment of Confidential Information.

3.2.2 Obligations During the Clinical Trials Conduct.

3.2.2.1 During the Development Term, SFJ will conduct meetings with the Clinical Investigators (each, a "Clinical Investigator Meeting"), of which the JOC will be provided with reasonable advance notice and in which Nektar will have the right (but not the obligation) to attend and participate. Minutes of Clinical Investigator Meetings will be made available to the JOC upon request.

3.2.2.2 SFJ will provide the JOC with copies of all communications relevant to the HNC Clinical Trials and provided to all Sites, and upon request of the JOC, provide the JOC with copies of any other communications between SFJ and any individual Sites and/or any Affiliate or Approved CRO and any individual Sites.

3.2.2.3 If SFJ terminates a Site, SFJ will inform the JOC with the reason for such termination and if reasonably practicable, such notice will be provided reasonably in advance of such termination.

3.2.2.4 Nektar will be responsible for preparing and submitting any INDs and amendments thereto to Regulatory Authorities as required by Applicable Laws in the countries for which Sites have been selected, [***]. Nektar will prepare the CMC Information and any updates to this information and submit it to the applicable Regulatory Authority as required by Applicable Laws. [***].

3.2.3 Transparency Reports. [***], SFJ will provide Nektar access to all records of SFJ related to any direct or indirect payments or other transfers of value made by or on behalf of SFJ (such as by a CRO or other vendor) to health care professionals, IDEC members, consultants or others in connection with the HNC Clinical Trials, which payments or other transfers of value, including all such details as are reasonably required [***] to determine whether any such payment requires the filing of a report with any Governmental Authority [***] pursuant to Applicable Law (such as the Sunshine Act in the United States and similar transparency laws in foreign countries). In the event that Nektar is or becomes aware that any such reports are required to be filed, Nektar shall provide prompt written notice to SFJ providing particulars as to the information to be reported and the time deadlines for the filing of reports.

3.3 Subjects and Informed Consent.

3.3.1 Subject Recruitment Plan. SFJ will comply with the subject recruitment plan for the HNC Clinical Trials, which will be established by SFJ and communicated to the JOC, for approval by the JOC not to be unreasonably withheld, within a reasonable period of time after the Effective Date not to [***] of the Effective Date (the "Subject Recruitment Plan") in recruiting subjects to participate in the HNC Clinical Trials. For clarity, prior to engaging in any recruiting activities, SFJ will ensure that the applicable IRBs and/or other ethics committees approve any related materials and activities as required by the JOC and all Applicable Laws.

3.3.2 Informed Consent.

3.3.2.1 SFJ, with consultation from Nektar, will prepare the informed consent document(s) for use in the HNC Clinical Trials. SFJ will ensure that the informed consent of each subject participating in a HNC Clinical Trial be obtained in accordance with all Applicable Laws, including completion of the informed consent document. Such informed consent document for a HNC Clinical Trial will be substantially in the form to be approved by the JOC [***] following approval by the JOC of the final Protocol for such HNC Clinical Trial (collectively, "Informed Consent") (upon obtaining such Informed Consent, a prospective subject will be deemed a "Subject"). For clarity, the Informed Consent document that each Subject signs will expressly state that each Subject understands that Nektar is the Sponsor and SFJ is conducting the HNC Clinical Trials and will authorize disclosure of data and results related to the HNC Clinical Trials to Nektar and SFJ, for any purpose, subject to all Applicable Laws.

3.3.2.2 SFJ will ensure that the Informed Consent has been obtained by a Permitted Third Party from each Subject prior to administration of the Product and/or Merck Product to such Subject in accordance with the HNC Clinical Trials Protocol.

3.3.3 Inclusion and Exclusion Criteria. SFJ will not waive, and SFJ will require that its Permitted Third Parties do not waive, any exclusion or inclusion criteria specified in the HNC Clinical Trials Protocol.

3.4 Investigator's Brochure.

3.4.1 Investigator's Brochure. Nektar will maintain the Investigator's Brochure for the Product. SFJ will, promptly following receipt of written notice from Nektar of the need for an Investigator's Brochure update, provide Nektar with all information regarding the HNC Clinical Trials that is necessary to enable Nektar to update the Investigator's Brochure.

3.4.2 Parties' Responsibilities. Promptly following the Effective Date, Nektar will provide SFJ with the most recent version of the Investigator's Brochure. Nektar will also promptly provide SFJ with any updated versions of the Investigator's Brochure. SFJ will ensure that each Site and all applicable IRBs and other ethics committees receive a copy of, and promptly receive any updates to, the Investigator's Brochure.

3.5 Data Collection and Data Management.

3.5.1 CRF. Nektar, with consultation from SFJ, will be responsible for preparing the form of CRF for the HNC Clinical Trials in accordance with the HNC Clinical Trials Protocol and Nektar's CRF standards.

3.5.2 Data Management Plan.

3.5.2.1 SFJ, with consultation from Nektar, will be responsible for preparing the data management plan (the "Data Management Plan") for the HNC Clinical Trials. Each Party will use Commercially Reasonable Efforts to comply with the Data Management Plan to be agreed upon by the Parties [***] following approval by the JOC of the final Protocol. For clarity, the Data Management Plan will be agreed upon by the Parties prior to recruitment of subjects for the HNC Clinical Trials.

3.5.2.2 With respect to any data collected in connection with the HNC Clinical Trials, SFJ will ensure that such data is held in one or more appropriate facilities with information security protections in accordance with all Applicable Laws including (a) unique accounts for all operators; (b) cancellation of an account when an employee or other personnel terminates employment; (c) deactivation of an account when an employee or other personnel ceases working on the Clinical Trials; (d) required password changes at frequent intervals; and (e) regular backups of electronic data.

3.5.3 Clinical Trials Database.

3.5.3.1 Nektar, with consultation from SFJ, will use Commercially Reasonable Efforts to establish a Clinical Trials database for the data collected from each Site for the HNC Clinical Trials (the "Clinical Trials Database") [***] following approval by the JOC of the Final HNC Clinical Trial Protocol. Nektar, with consultation from SFJ, will promptly update the Clinical Trials Database upon any final amendments to the Protocol, as necessary, and in accordance with Section 3.5.3.3. SFJ will promptly update the Clinical Trials Database upon receiving data for the HNC Clinical Trials from any Site and any other applicable Permitted Third Party, and SFJ will ensure that the Sites and such other Permitted Third Parties promptly following collection thereof, provide data in connection with the HNC Clinical Trials to such Party.

3.5.3.2 SFJ will provide the JOC with electronic copies of such data requested by the JOC at JOC meetings and in accordance with Applicable Laws.

3.5.3.3 If, at any time during the Development Term, SFJ decides to change the format of the database for the HNC Clinical Trials, SFJ will so notify the JOC and the Parties will cooperate to ensure that the format that SFJ selects permits SFJ to incorporate the data from the HNC Clinical Trials into its relevant systems and is in compliance with all Applicable Laws.

3.5.3.4 The Vendor responsible for the database will provide SAS datasets to the Parties in accordance with specifications as defined by Nektar [***].

3.5.3.5 SFJ will ensure that information included in the Clinical Trials Database is accurate and up-to-date. Nektar will be responsible for registering, maintaining and updating any registries pertaining to the HNC Clinical Trials to the extent required by any Applicable Laws, including www.clinicaltrials.gov, www.clinicalstudyresults.org, and the PHRMA Website Synopsis.

3.5.4 Clinical Trials Master File. Promptly following the Effective Date, SFJ will establish and maintain a Clinical Trials master file for each Clinical Trial in the format as agreed upon by the JOC (each, a "Clinical Trials Master File"). Notwithstanding anything to the contrary herein, SFJ will not be permitted to delegate its rights and obligations pursuant to this Section 3.5.4 to any Permitted Third Parties without the prior approval of the JOC, except SFJ may delegate its rights and obligations pursuant to this Section 3.5.4 to any of its Affiliates.

3.5.5 Source Data Verification. SFJ will be responsible for source verification of data records. At Nektar's request, SFJ will provide Nektar with copies of any reports relating to source data verification and other types of HNC Clinical Trials audits.

3.5.6 Statistical Analysis. Nektar statisticians will work with SFJ programmers to perform any statistical analysis required in accordance with the statistical analysis plan ("Statistical Analysis Plan") for the HNC Clinical Trials. The Statistical Analysis Plan will initially be developed by Nektar and agreed upon by the Parties [***].

3.6 Audits.

3.6.1 SFJ will conduct quality oversight inspections and audits of the facilities and services of the Permitted Third Parties utilized by SFJ in accordance with its standard operating procedures and will provide Nektar with copies of such audit reports upon request.

3.6.2 During the Development Term, Nektar will conduct quality oversight inspections and audits of the manufacturing facilities for the Product in accordance with its internal policies and Nektar will provide SFJ with copies of such audit reports, subject to SFJ's compliance with confidentiality requirements imposed by Nektar's contract manufacturers.

3.6.3 Audits; Inspections.

3.6.3.1 Upon [***] prior written notice and during normal business hours, no more frequently than once per Calendar Year (the "Annual Limitation"), Nektar, or an external auditor appointed by Nektar and reasonably acceptable to SFJ, may inspect and/or audit all records created by SFJ and its Affiliates in the conduct of the HNC Clinical Trials for the purpose of confirming SFJ's compliance with this Agreement and Applicable Laws in the conduct of the HNC Clinical Trials. SFJ agrees to make available employees of SFJ and its Affiliates as reasonably requested by Nektar to answer Nektar's reasonable questions in connection with such inspection and/or audit.

3.6.3.2 Notwithstanding the foregoing, if Nektar has a reasonable good faith belief that SFJ has materially failed to comply with this Agreement or with Applicable Laws in the conduct of the HNC Clinical Trials, Nektar shall have the right to conduct an audit and/or inspection described in 3.6.3.1 upon [***] prior written notice and without regard to the Annual Limitation.

3.6.3.3 All expenses of any inspection or audit requested by Nektar pursuant to Section 3.6.3 (including the fees and expenses of any external auditor engaged by Nektar for such purpose) shall be borne by Nektar. All information obtained by Nektar as a result of such inspection or audit shall be Confidential Information subject to Article 9. Any external auditor appointed by Nektar pursuant to this Section 3.6.3 shall be subject to confidentiality obligations no less restrictive than those set forth in Article 9 with respect to such Confidential Information.

3.7 Monitoring. SFJ will monitor the HNC Clinical Trials, and share information with the JOC pertaining to monitoring the HNC Clinical Trials, in accordance with the monitoring plan for the Clinical Trials to be agreed upon by the Parties [***] following the Effective Date.

3.8 IRBs and Other Ethics Committees.

3.8.1 SFJ will be responsible for obtaining the approval of the IRBs and other ethics committees required prior to commencing, and during, the HNC Clinical Trials at every Site.

3.8.2 SFJ will ensure that IRBs and such other relevant ethics committees have current registrations and accreditations as required by Applicable Law and will provide all ethics committees, including all IRBs, and Regulatory Authorities, with all necessary documentation prior to, and during the course of, the HNC Clinical Trials as required by Applicable Law.

3.8.3 SFJ will be responsible for responding to all queries from the IRBs and other ethics committees; provided that (a) Nektar will make itself reasonably available to assist with any such queries and (b) if such query relates solely to the CMC Information, the Manufacturing Dossier, and/or preclinical studies, Nektar will prepare the applicable response and provide SFJ with a copy thereof.

3.9 IDMC.

3.9.1 Nektar, in consultation with SFJ, will establish an IDMC for the Clinical Trials, which will be governed by a charter substantially in the form to be agreed upon by the Parties [***] of the Effective Date (the "IDMC Charter"). For clarity, the IDMC Charter will specify the number of members of the IDMC, which shall be appointed by Nektar, the qualifications of such members, the roles and responsibilities of IDMC members, the role and responsibilities of the IDMC chair, who shall be appointed from among the IDMC members, independent statistical center ("ISC"), the study team, the sponsor executive committee, rules of

conduct of and procedures for IDMC meetings including open sessions and closed sessions, communication of IDMC recommendations, and other subjects mutually agreed by the Parties.

3.9.2 Nektar, via the ISC, will ensure that the IDMC is provided with all required information and data in a timely manner as specified in the IDMC Charter, and SFJ will reasonably cooperate with Nektar in such regard.

3.10 Environmental Health and Safety.

3.10.1 In conducting the Clinical Trials, each Party will comply with all Applicable Laws relating to environmental, health and/or safety matters and will be solely responsible for establishing material and specimen handling guidelines and for ensuring use of controls, including appropriate personal protective equipment, that minimize potential worker exposure, obtaining the material safety data sheets and providing the appropriate training for workers who will be potentially exposed to the Product.

3.10.2 Each Party will promptly notify the JOC, in writing, of any worker claims of suspected occupational illnesses related to working with the Product, regardless of whether such claims are received during the Development Term or any time thereafter. After termination of this Agreement for whatever reasons, or expiration of this Agreement, each Party will promptly notify the other Party of any worker claims of suspected occupational illnesses related to working with the Product during the Development Term, of which it has Knowledge.

3.11 Completion of the Clinical Trials.

3.11.1 SFJ will use Commercially Reasonable Efforts to keep the Sites participating in the HNC Clinical Trials, operational, including continuing to dose Subjects with the Product and/or Merck Product in accordance with the Protocol, and conducting any follow-up work required, until the Completion Date for such HNC Clinical Trial. As a HNC Clinical Trial is completed or otherwise terminated at each Site, SFJ will close out such HNC Clinical Trial as specified in the Protocol, including performing all Subject follow-up and providing Nektar with all HNC Clinical Trial data not provided as of such date. For clarity, copies of documents, including any CRFs and the Clinical Trials Master File will be transferred to Nektar upon the completion of the HNC Clinical Trials and at Nektar's request, or at Nektar's option, destroyed (provided that such destruction is in compliance with ICH guidelines). Notwithstanding the foregoing, SFJ will not provide Nektar with any Personally Identifiable Information.

3.11.2 Upon the Completion Date of a HNC Clinical Trial, SFJ will return to the location specified by Nektar at such time, or, at Nektar option, destroy, any unused Product and/or Merck Product from such HNC Clinical Trial (SFJ's expenses in doing so will be included in Development Costs), and will comply with all Applicable Laws in so returning or destroying such Product.

3.11.3 The CSR, and any interim CSRs, for each HNC Clinical Trial will be prepared by Nektar, with support from SFJ, in compliance with all Applicable Laws, including

ICH E3 guidelines. The final, signed CSR for each HNC Clinical Trial (the "Final HNC Clinical Trial CSR") will be provided to SFJ promptly following the Completion Date of the HNC Clinical Trials and any interim CSRs will be provided to SFJ promptly after it is completed. In the event that there are any additional safety or efficacy data pertaining to a HNC Clinical Trial that come into the possession of Nektar after it has provided SFJ with the Final HNC Clinical Trial CSR for such HNC Clinical Trial, Nektar will prepare and promptly provide SFJ with a supplement to such CSR.

3.12 Commercially Reasonable Efforts.

3.12.1 Timely performance of the Clinical Trials and receipt of Regulatory Approvals are important to the success of this Agreement. Each Party will use Commercially Reasonable Efforts to complete the Melanoma and HNC Clinical Trials, as appropriate, according to the Timeline and, if the Melanoma and/or HNC Clinical Trials are successful, Nektar shall comply with the provisions of Sections 3.1.1.3, 3.1.1.4 and 3.1.1.5 hereof. In the event that either Party fails to complete its responsibilities according to the Timeline, following discussion by the JSC that such Party failed to use Commercially Reasonable Efforts, the other Party may assume the roles and responsibilities of such Party; provided that in the event of such failure by SFJ and the assumption by Nektar of any of SFJ's roles or responsibilities, SFJ will remain obligated to pay Development Costs under Section 4.2, and provided further that in the event of such failure by Nektar and the assumption by SFJ of any of Nektar's roles or responsibilities, SFJ's costs for the assumption of Nektar's roles and responsibilities shall be deemed to be Development Costs. In the event that Nektar fails to use Commercially Reasonable Efforts to so obtain Regulatory Approval for the Product for the Indications, including the obligation to file a BLA for the Product for the Indications with the FDA by the dates set forth in Article 3, and this failure is not cured [***] after receipt of written notice from SFJ requesting such cure, SFJ may terminate this Agreement pursuant to Section 13.2.1.

3.12.2 Regulatory Approvals. The Parties acknowledge that regulatory matters with respect to the Product will reasonably require coordination with regulatory matters with respect to the Product, and SFJ agrees to cooperate in good faith with Nektar and Merck as reasonably necessary for and in relation to each of Nektar and SFJ, on the one hand, and Merck, on the other hand, to obtain and maintain regulatory approvals (including Regulatory Approvals) with respect to the Product in the case of Nektar and SFJ and with respect to the Merck Product in the case of Merck. Prior to submitting any written or electronic communication to a Regulatory Authority in a particular country with respect to Merck Product that would reasonably be expected to require a change to the Regulatory Authorityapproved full prescribing information for the Product for such country, SFJ shall cooperate with Nektar in Nektar's consultation with Merck. Nektar shall keep SFJ reasonably informed of its efforts to obtain and maintain Regulatory Approvals and any Other Indication Regulatory Approvals and developments with respect thereto, including Nektar's expected timing with respect to submission and receipt of any and all Regulatory Approvals and Other Indication Regulatory Approvals.

3.13 Pharmacovigilance and Safety Information Exchange.

3.13.1 The safety reporting units from each of the Parties shall meet and shall [***] of the Effective Date agree upon a written agreement for exchanging adverse event and other safety information relating to the Product (the "Pharmacovigilance Agreement"). SFJ agrees to provide Nektar with a draft of the Pharmacovigilance Agreement [***] of the Effective Date. The Pharmacovigilance Agreement will ensure that adverse event and other safety information are exchanged upon terms that will permit (a) Nektar to comply with Section 10.8 of the BMS Strategic Collaboration Agreement and the terms of the BMS Pharmacovigilance Agreement, and (b) each Party to comply with Applicable Laws and requirements of Regulatory Authorities. In particular the Pharmacovigilance will include: (i) Nektar's responsibility for establishing and maintaining the Clinical Trials Database pursuant to Section 3.5.3 of this Agreement, and (ii) Nektar's responsibility for establishing and maintaining the Global Drug Safety Database ("ARGUS") and reconciling information between ARGUS and the Clinical Trials Database

3.13.2 SFJ agrees not to enter into any clinical activity implicating pharmacovigilance obligations for the Product prior to execution of the Pharmacovigilance Agreement.

3.14 Product.

3.14.1 Supply of the Product.

3.14.1.1 Nektar will be the GMP Manufacturer of the Product for the Clinical Trials, either directly or through a CMO. In particular, with respect to the Clinical Trials, Nektar will maintain in force a clinical supply agreement with a CMO that has sufficient capacity to manufacture and supply GMP-compliant Product for the HNC Clinical Trials in a timely manner in accordance with a clinical supply schedule approved by the JOC (as amended by the JOC from time to time, the "Clinical Supply Schedule").

3.14.1.2 During the Development Term, Nektar will supply, as determined by the JOC, or cause to be supplied, as determined by the JOC, to SFJ GMP-compliant Product and Merck Product manufactured in compliance with the then-current CMC Information included in the IND submitted to the applicable Regulatory Authority for the HNC Clinical Trials, in accordance with the Clinical Supply Schedule as set forth in a clinical supply agreement to be entered into between the Parties [***] after the Effective Date. The costs for the supply of the Product for the HNC Clinical Trials and the costs for the supply of the Merck Product for the HNC Clinical Trials will be borne by Nektar. SFJ will provide the JOC at each JOC meeting with quarterly reports regarding inventory of the Product and Merck Product and the reasonably anticipated needs for the Product and Merck Product to ensure that Nektar can supply the Product and Merck Product in accordance with the Clinical Supply Schedule.

3.14.2 Use of the Product.

3.14.2.1 SFJ will (a) in conducting the HNC Clinical Trials, only use Product and Merck Product supplied by Nektar or such Third Parties designated by Nektar; (b) only use the Product and Merck Product supplied by Nektar or Third Parties designated by

Nektar, and require that its Permitted Third Parties that receive any of the Product and Merck Product supplied by Nektar or Third Parties designated by Nektar only use such Product and Merck Product, for the sole purpose of conducting the HNC Clinical Trials in accordance with the respective HNC Clinical Trials Protocols; and (c) ensure subject dosing compliance per the respective HNC Clinical Trials Protocols for the HNC Clinical Trials. Dosage and Administration Instructions will be provided to SFJ by Nektar sufficiently in advance of the HNC Clinical Trials' commencement.

3.14.2.2 SFJ, will be responsible for ensuring that the Product and Merck Product is administered solely to the Subjects in HNC Clinical Trials conducted by SFJ in accordance with the respective Protocols. For each dose administered to a Subject in a HNC Clinical Trial conducted by SFJ, SFJ will implement procedures and ensure that records are maintained specifying the date and time that such dose of the Product and/or Merck Product is administered, the amount of the Product and/or Merck Product administered to such Subject, the lot number of the Product and/or Merck Product from which such dosage came, and the number of the Subject to which such dosage was administered. SFJ shall provide copies of such records to Nektar upon Nektar's reasonable request.

3.15 Complaints Related to the Product. During the Development Term, SFJ will promptly forward to Nektar any complaints that it receives related to the Product and/or Merck Product. SFJ will respond to any complaints of which SFJ becomes aware relating to the Product and/or Merck Product provided that Nektar will provide reasonable cooperation in connection therewith. Notwithstanding the foregoing, if a complaint pertains to the manufacturing, appearance or general physical characteristics of the Product and/or Merck Product or other processes at the manufacturing facility, Nektar will be solely responsible for responding to such complaint.

3.16 Recall of the Product in Connection with Study Prior to Approval. If the Product and/or Merck Product is recalled for safety reasons or GMP noncompliance prior to Regulatory Approval, SFJ will be responsible for the operational execution of such recall. Nektar will cooperate with SFJ in connection with any such recall. The costs for such any such recall will be at Nektar's expense and not be a Development Cost, unless such recall and/or costs were based on the material breach of this Agreement, intentional misconduct, or gross negligence of SFJ or any of its Affiliates or Permitted Third Parties, in which case, SFJ will bear the expense of any such recall and such expense will not be a Development Cost.

3.17 Compliance with Laws. SFJ and its Affiliates and Nektar and its Affiliates will comply, and each Party will use Commercially Reasonable Efforts to ensure that all Permitted Third Parties utilized by such Party comply, with all Applicable Laws with respect to the storage, handling, disposal and transfer of the Product and Merck Product, and each Party assumes sole responsibility for the violation of such Applicable Laws by such Party or any of its Affiliates or its Permitted Third Parties.

3.18 Disclosures.

3.18.1 [***]

3.18.2 Nektar shall (a) promptly notify SFJ of achieving the Clinical Trial Success Criteria, and (b) promptly notify SFJ of achieving Regulatory Approval in the Indications and the first Other Indication. [***].

3.19 Exclusivity Commitment of SFJ. During the applicable Exclusive Period, SFJ shall not, and shall cause its Affiliates not to, either by itself or through a Third Party, conduct human clinical trials of, or sell, offer for sale or have sold:

3.19.1 any Competing Product (other than Product) alone or in combination (whether fixed dose or co-packaged) with one (1) or more other active ingredients; or

3.19.2 any combination (whether fixed dose or co-packaged) with one (1) or more other active ingredients of the Product and a Competing Product.

ARTICLE 4

DEVELOPMENT COSTS

4.1 Development Costs. SFJ will be obligated to pay up to One Hundred Fifty Million U.S. Dollars ($150,000,000.00) of Development Costs (the "Maximum Development Costs") in accordance with Section 4.2. Any Development Costs in excess of the Maximum Development Costs (the "Excess Development Costs") will be borne by Nektar unless otherwise agreed in writing by SFJ and Nektar, and provided that Nektar may request that SFJ pay some or all of the Excess Development Costs and SFJ shall have the sole discretion to decide whether or not to pay any of such Excess Development Costs, and provided further that the failure of SFJ to agree to pay any Excess Development Costs shall not excuse Nektar from its obligation to pay the Excess Development Costs. Any failure by Nektar to bear any necessary Excess Development Costs that SFJ did not agree to pay shall be deemed to be a material breach of this Agreement by Nektar.

4.2 Funding Schedule; Quarterly Reconciliation of Development Costs.

4.2.1 SFJ will pay up to a total of One Hundred Fifty Million U.S. Dollars ($150,000,000.00) of Development Costs as set forth as follows:

4.2.1.1 SFJ shall promptly pay all Approved Third Party Vendor Costs incurred by SFJ in connection with the HNC Clinical Trials during the Development Term.

4.2.1.2 Development Costs will include the Quarterly Labor Fees. Payment by SFJ to Nektar of the Quarterly Labor Fees shall be made on a quarterly basis, with each payment made at least fifteen days prior to the end of the Calendar Quarter to which it relates.

4.2.1.3 If (a) the Development Costs paid by SFJ after paying all required payments under the preceding provisions of this Section 4.2.1 shall be less than the Maximum Development Costs and (b) the HNC Clinical Trial has not terminated prior to

completion due to the occurrence of HNC Clinical Trial Futility or a Safety Concern, then any remaining balance (such amount, the "Leftover Funding") shall be paid to Nektar by SFJ [***] of the last payment under Section 4.2.1.1 and Section 4.2.1.2, to be used by Nektar for commercialization activities, and such amount paid by SFJ shall be deemed to be included in Development Costs, it being understood that the provisions of this Section 4.2.1.3 shall not apply as a result of or during any period in which SFJ's obligations to make payments to Nektar or pay or incur other Development Costs are suspended pursuant to Section 2.3.1. If the HNC Clinical Trial is completed, but the HNC Clinical Trial Success Criteria is not achieved, SFJ shall not have the option of paying the Leftover Funding, if any, to Nektar.

4.2.2 Notwithstanding anything else contained herein to the contrary, in no event shall SFJ be required to pay or incur Development Costs in excess of $150 million. If the Development Costs exceed $150 million, Nektar shall pay or incur all such excess Development Costs including SFJ's ongoing internal costs and continuing to provide the Nektar Services at the expense of Nektar unless otherwise agreed to in writing by SFJ. Notwithstanding anything else contained herein to the contrary, if the HNC Clinical Trial is terminated prior to completion due to the occurrence of (a) HNC Clinical Trial Futility or (b) a Safety Concern, then SFJ shall not pay the Leftover Funding to Nektar nor shall it pay any other Development Costs except for those incurred in the orderly close-out of the HNC Clinical Trials.

4.2.3 Development Costs initially shall be borne by SFJ as provided herein. Each Party shall comply with the Development Cost Reconciliation Procedures. With respect to each HNC Clinical Trial, each Party will provide the other Party, [***] of the end of each Calendar Quarter, the estimated Development Costs incurred in accordance with GAAP during such Calendar Quarter by such Party. A final report of actual Development Costs incurred in accordance with GAAP during such Calendar Quarter by such Party will be provided [***] of the end of each Calendar Quarter. Such report shall specify in reasonable detail all expenses included in such Development Costs during such Calendar Quarter. If reasonably requested by the other Party, each Party shall make every reasonable attempt to accommodate the request to provide copies of any applicable invoices within the Development Costs that individually exceed one million dollars ($1,000,000.00).

4.3 PreCommercialization Costs. During the Term, Nektar will be solely responsible at its own cost (subject to Sections 4.2) for performing those activities reasonably necessary to prepare for Commercial Launch of the Product (the "Pre-Approval Commercialization Activities"). Such Pre-Approval Commercialization Activities may include at Nektar's sole discretion creating educational or marketing materials, establishing distribution channels and designing packaging and labeling, in each case as reasonably necessary to Commercialize the Product.

ARTICLE 5

GOVERNANCE

5.1 Joint Steering Committee.

5.1.1 Representatives. Within sixty (60) days after the Effective Date, the Parties will establish a joint steering committee to oversee and manage the collaboration (the "JSC"). Each Party initially will appoint three (3) individuals to serve as representatives to the JSC (the "JSC Representatives"), with each JSC Representative having knowledge and expertise regarding developing products similar to the Product and sufficient decision-making authority within the applicable Party to make decisions on behalf of such Party within the scope of the JSC's decisionmaking authority and, if any such individual is not an employee of the appointing Party, such individual shall execute a confidentiality agreement in form and substance acceptable to the other Party (and, for the avoidance of doubt, the appointing Party shall remain responsible to the other Party for any noncompliance by such individual with such confidentiality obligations). Each Party may replace its JSC Representatives at any time upon written notice to the other Party, which notice may be provided by email from one Party's Alliance Manager to the other Party's Alliance Manager.

5.1.2 Chairperson. The JSC chairperson ("JSC Chairperson") shall be designated from the Parties' JSC Representatives and shall serve for a term of one (1) year. SFJ shall appoint the first JSC Chairperson and subsequent appointments will rotate on an annual basis between Nektar and SFJ. The JSC Chairperson will be responsible for drafting and circulating the draft agenda and ensuring minutes are prepared.

5.1.3 Meetings. From the Effective Date, through the Development Term the JSC will meet at least once every two months (and for clarity, such meetings are intended to be conducted via teleconference) unless the Parties mutually agree otherwise. Either Party may call a special meeting of the JSC (by videoconference or teleconference) during the Term by providing at least five (5) Business Days prior written notice to the other Party, which notice shall include a reasonably detailed description of the matter, in the event such Party reasonably believes that a significant matter must be addressed prior to the next scheduled meeting.

5.1.4 Participants. The JSC may invite individuals who are not JSC Representatives to participate in JSC meetings; provided that (a) all JSC Representatives of both Parties consent to such non-member's participation; and (b) such non-member has executed a confidentiality agreement in form and substance acceptable to the non-inviting Party (and, for the avoidance of doubt, the inviting Party shall remain responsible to the non-inviting Party for any noncompliance by such individual with such confidentiality obligations). For clarity, such non-members will have no voting rights at the JSC.

5.1.5 Alliance Managers. Each Party shall appoint an individual to act as an alliance manager for such Party (each, an "Alliance Manager") by providing the name and contact information for the Alliance Manager to the JSC. Each Party may change its Alliance Manager from time to time in its sole discretion upon written notice to the JSC. The Alliance Managers shall be the primary point of contact for the Parties regarding the activities contemplated by the Agreement, and the Parties shall use reasonable efforts to ensure that any requests for information and data made outside of the JSC are made through the Alliance

Managers. The Alliance Managers shall attend all meetings of the JSC. For clarity, the Alliance Managers may also be members of the JSC.

5.1.6 Costs. Each Party will bear its own expenses relating to the meetings and activities of the JSC.

5.2 JSC Responsibilities and Decision-Making.

5.2.1 Responsibilities (Review and Discuss). The JSC's responsibilities will include reviewing and discussing (but not approving) the following:

5.2.1.1 Oversight of the Parties' collaboration including (a) overall strategic direction, (b) developing strategies to maximize the value of the Product for the Indication, and (c) reviewing and commenting on the Development Program and Regulatory Approval strategies;

5.2.1.2 material changes in the Development Program, including changes required by, or made to respond to comments from, a Regulatory Authority, that do not require approval pursuant to Section 5.2.2;

5.2.1.3 the activities related to, the progress of, and the costs incurred in connection with, the Development Program;

5.2.1.4 summaries of the Research Results;

5.2.1.5 forecast of the estimated timeline (on at least a quarterly basis) for its development activities with respect to the Product for any of the Indications;

5.2.1.6 the addition to the Development Program of any new HNC Clinical Trials testing the efficacy of the Product for the HNC Indication; and

5.2.1.7 any other matters the Parties mutually agree in writing will be, or are expressly provided in this Agreement to be, reviewed and discussed by the JSC.

5.2.2 Responsibilities (Review and Approve). The JSC's responsibilities will include reviewing and approving (in each case, such approval not to be unreasonably withheld, conditioned or delayed) the following:

5.2.2.1 any change in the Development Program that is not required by, or made to respond to comments from, a Regulatory Authority, that would materially decrease the likelihood of obtaining or materially increase the timeline for obtaining a Regulatory Approval for the HNC Indication or the Melanoma Indication in the US, and that is:

(a) a change to the Indication,

(b) a change to any primary or secondary endpoint or the ordering of secondary endpoints of the HNC Main Clinical Trial as set forth on Exhibit D or any other HNC Clinical Trial,

(c) a material change to the Statistical Analysis Plan or material reduction of the statistical powering of a HNC Clinical Trial as set forth in the Protocol for such HNC Clinical Trial,

(d) the substitution or addition of any arms in any HNC Clinical Trial,

(e) any material change to the inclusion criteria or exclusion criteria with respect to a HNC Clinical Trial as set forth in the applicable Protocol, or

(f) any change from the CMO that is then engaged, or any material changes to the manufacturing process for either (i) the drug substance utilized in the Product or (ii) the final Product that, in either case, will be used in the HNC Clinical Trials;

5.2.2.2 commercially reasonable budgets of CRO and Third Party Vendor costs (the "Approved Third Party Vendor Costs"); and

5.2.2.3 any other matters the Parties mutually agree in writing will be, or are expressly provided in this Agreement to be, reviewed and approved by the JSC.

5.2.3 Limitation on Authority. Notwithstanding anything to the contrary set forth in this Agreement, the JSC will have no authority to (x) amend, modify or waive compliance with this Agreement, or (y) resolve any dispute concerning the validity, interpretation, construction of, or breach of this Agreement.

5.2.4 Decision-Making. Nektar shall retain sole decision-making authority over all matters within the scope of the JSC's oversight other than the matters described in the foregoing Section 5.2.2. The unanimous approval of the JSC will be required with respect to all matters within its decision-making authority as described in the foregoing Section 5.2.2. The JSC Representatives of each Party will collectively have one (1) vote. The presence of at least one of each Party's JSC representatives constitutes a quorum for the conduct of business at any JSC meeting, and no vote of the JSC may be taken without a quorum present. If the JSC cannot reach consensus on an issue for which it has decision-making authority, then Nektar shall have the final decision-making authority, provided that if SFJ disagrees with any such Nektar decision with regard to any of the matters set forth in Section 5.2.2, then, at SFJ's request, the matter shall be escalated to the Executive Officers for attempted resolution by good faith negotiations during a period of [***]. If, notwithstanding such good faith negotiations, the Executive Officers fail to resolve such matter prior to expiration of such [***] period, and SFJ in good faith continues to disagree with such Nektar decision and such decision materially delays or reduces the probability of achieving Regulatory Approval of any of the Indications, then SFJ shall have the right to terminate this Agreement as provided in Section 13.2.8 upon written notice to Nektar delivered [***].

5.3 Reports to be Provided to the JSC. Except as may otherwise be agreed by the Parties, at each JSC meeting Nektar with regard to the Melanoma Clinical Trial, the Other Indications and CMC, and SFJ with regard to the HNC Clinical Trials, will provide an update on the progress of their respective responsibilities and Nektar with regard to the U.S. will report on progress toward obtaining Regulatory Approvals in the Indications.

5.4 Joint Operations Committee.

5.4.1 Representatives. Within sixty (60) days of the Effective Date, the Parties will establish a joint operations committee to oversee the conduct of the Clinical Trials (the "JOC"). Each Party initially will appoint four (4) individuals to serve as representatives to the JOC (the "JOC Representatives"), with each JOC Representative having knowledge and expertise regarding developing products similar to the Product and sufficient seniority within the applicable Party to make decisions within the scope of the JOC's decision-making authority. Each Party may replace its JOC Representatives at any time upon written notice to the other Party, which notice may be provided by email from one Party's Alliance Manager to the other Party's Alliance Manager.

5.4.2 Chairperson. The JOC chairperson ("JOC Chairperson") shall be designated from SFJ's JOC Representatives and shall serve throughout the Term. The JOC Chairperson will be responsible for drafting and circulating the draft agenda and ensuring minutes are prepared.

5.4.3 Meetings.

5.4.3.1 Timing.

(a) From the Effective Date through the Development Term, the JOC will meet at least once every month (and for clarity, such meetings are intended to be conducted via teleconference) unless the Parties mutually agree otherwise.

(b) Either Party may call a special meeting of the JOC (by videoconference or teleconference) during the Development Term by at least five (5) Business Days prior written notice to the other Party in the event such Party reasonably believes that a significant matter must be addressed prior to the next scheduled meeting.

5.4.3.2 Participants. The JOC may invite individuals who are not JOC Representatives to participate in JOC meetings; provided that (a) the JOC Representatives of both Parties consent to such non-member's participation; and (b) such non-member is subject to confidentiality obligations consistent with those described in Article 10 of this Agreement. For clarity, such non-members will have no voting rights at the JOC.

5.4.3.3 Costs. For clarity, each Party will bear its own expenses relating to the meetings and activities of the JOC and such costs will not be Development Costs hereunder.

5.4.4 Notices and Reports to be Provided to the JOC.

5.4.4.1 Unusual or Unforeseen Events. Each Party will promptly notify the JOC of any unforeseen or unusual events that occur in connection with the HNC Clinical Trials that may affect the quality, integrity, or timeliness of the HNC Clinical Trials. Nektar will promptly notify the JOC of any unforeseen or unusual events that occur in connection with the Melanoma Clinical Trial that may affect the quality, integrity, or timeliness of the Melanoma Clinical Trial.

5.4.4.2 Urgent Safety Measures or Serious Breaches. If SFJ becomes aware of (a) any urgent safety measures taken by a Clinical Investigator to protect Subjects against immediate hazard or (b) any serious breaches of the Protocol or any Applicable Laws (including ICH GCP guidelines), SFJ will immediately inform the JOC.

5.4.4.3 Regulatory Inspections.

(a) SFJ will promptly notify the JOC within twenty-four (24) hours of any inspection by any Governmental Authority, including any Regulatory Authority, in connection with the HNC Clinical Trials. SFJ will promptly forward to the JOC copies of any inspection findings that a Site receives from any Regulatory Authority.

(b) Nektar will promptly notify the JOC within twenty-four (24) hours of any inspection by any Governmental Authority, including any Regulatory Authority, (i) at any CMC facility associated with any of the Clinical Trials or (ii) in connection with the Melanoma Clinical Trial. Nektar will promptly forward to the JOC copies of any inspection findings that a CMC facility or a study site for the Melanoma Clinical Trial receives from any Regulatory Authority.

5.4.4.4 Government Investigations. SFJ will promptly notify the JOC upon learning of any investigations by any Governmental Authority in connection with the HNC Clinical Trials. Nektar will promptly notify the JOC upon learning of any investigations by any Governmental Authority in connection with the Melanoma Clinical Trial.

5.4.4.5 Notification of Error. If either Party learns of an error or omission in the conduct of the HNC Clinical Trials or Melanoma Clinical Trial that could call into question the validity, or otherwise compromise the quality and/or integrity, of part or all of the HNC Clinical Trials or Melanoma Clinical Trial, or activities conducted in connection therewith, such Party will inform the JOC in writing within twenty-four (24) hours of either Party learning of such error and/or omission. In the event that such error and/or omission involves any of the HNC Clinical Trials, the members of the JOC will discuss in good faith a remediation plan to address such error within thirty (30) days of such written notification. Such remediation plan will not be effective unless and until approved by the JOC (such approval not to be unreasonably withheld or delayed). If the JOC approves such remediation plan, the JOC will provide each Party with written notice thereof, specifying the dates on which, and the detail with which the Party responsible for such Clinical Trial Activity will be required to update the JOC of

its progress with respect thereto. If the JOC is not able to approve such remediation plan, the matter will be decided by the JSC pursuant to the procedure described in Section 5.2.4.

5.4.4.6 Compliance with Laws. With respect to each of the foregoing Sections 5.4.4.1 through 5.4.4.5, the Party responsible for notifying the JOC will notify the Person to whom notice is required to comply with all Applicable Laws.

5.4.4.7 Progress Reports. Except as may otherwise be agreed to by the Parties, at each JOC meeting (a) SFJ will provide an update on the progress and cost of the HNC Clinical Trials and Regulatory Approval as measured against the Timeline and (b) Nektar will provide an update on the progress and cost of the Melanoma Clinical Trial and Regulatory Approval as measured against the Timeline.

5.4.4.8 IP Reports. In addition to the progress report to be provided by Nektar described in Section 5.4.4.7, at each JOC meeting Nektar shall provide on request an update on (a) any developments relating to or affecting the Nektar Intellectual Property (including, without limitation, any known Third Party Infringements), (b) any developments regarding Third Party Intellectual Property and (c) whether Nektar has licensed or has determined that it will be necessary to license any Intellectual Property in connection with the development, manufacture, use, sale or import of the Product.

5.4.4.9 Post-Development Term Notices. Following completion of the Development Term and through the end of the Term, any and all notices required pursuant to this Section 5.4 will be provided to the JSC instead of the JOC.

5.4.5 Responsibilities and Decision-Making.

5.4.5.1 Responsibilities. The JOC's responsibilities will include: (a) approving the initial HNC Clinical Trial Protocol (b) approving any changes to any HNC Clinical Trial Protocol that requires a submission to a Regulatory Authority, an IRB or other ethics committees; (c) discussing the activities in connection with, the progress of, and the costs incurred in connection with, the HNC Clinical Trials, including updates from any Clinical Investigator Meetings; (d) reviewing and discussing any notices that it receives pursuant to the foregoing Section 5.4.4; (e) discussing and reviewing the Research Results; (f) reviewing and discussing on at least a quarterly basis the forecast Development Costs and Timeline, and reviewing and approving budgets for Development Costs prepared by the JFC; (g) reviewing and discussing (as necessary) proof of submission of any safety reports to the Regulatory Authorities, Clinical Investigators, IRBs and any other ethics committees; (h) reviewing certain data to be provided by each Party at each JOC meeting as requested by the other Party and in accordance with all Applicable Laws; (i) reviewing performance and progress of the HNC Clinical Trials and Regulatory Approval process; and (j) any other matters the Parties mutually agree will be, or are expressly provided in this Agreement to be, within the responsibilities of the JOC.

5.4.5.2 Decision-Making. The unanimous approval of the JOC will be required with respect to all matters within its decision-making authority as described in the foregoing Section 5.4.5.1. The JOC Representatives of each Party will collectively have one (1)

vote. The presence of at least one of each Party's JOC representatives constitutes a quorum for the conduct of business at any JOC meeting, and no vote of the JOC may be taken without a quorum present. If the JOC cannot reach consensus on an issue for which it has decision-making authority, then such matter will be escalated to the JSC.

5.4.6 Appointment of Joint Project Team. Within thirty (30) days of the establishment of the JOC, the JOC will establish a joint project team (the "JPT") to be responsible for the day-to-day execution of the HNC Clinical trials. The responsibilities, leadership, decision-making authority and meeting schedule for the JPT will be specified by the JOC when the JPT is established. Each Party initially will appoint four (4) employees with knowledge and experience in operational matters relating to the conduct of multi-national clinical studies to serve as representatives to the JPT. Each Party may replace its JPT Representatives at any time upon written notice to the other Party, which notice may be provided by email from one Party's Alliance Manager to the other Party's Alliance Manager. For clarity, each Party shall bear its own expenses relating to the meetings of the JPT and such costs will not be deemed Development Costs hereunder.

5.5 Joint Finance Committee.

5.5.1 Representatives. Within five (5) days of the Effective Date, the Parties will establish a joint finance committee ("JFC") to manage the financial interactions of the Parties under this Agreement, including preparation and review of budgets, monitoring performance of HNC Clinical Trials vs budgets, reconciliation of costs incurred on a Calendar Quarter basis, and to act as the primary point of contact between the Parties with respect to all financial matters arising under this Agreement. Each Party initially will appoint one (1) individual with knowledge and experience in financial matters relating to the conduct of multi-national clinical studies to serve as representatives to the JFC ("JFC Representatives"). On reasonable advance notice to the other Party's JFC Representative and Alliance Manager (which notice may be provided by email), each JFC Representative may appoint a designee to attend any JFC meeting that the JFC Representative is unable to attend. Each Party may replace its JFC Representatives at any time upon written notice to the other Party, which notice may be provided by email from one Party's Alliance Manager to the other Party's Alliance Manager.

5.5.2 Chairperson. The JFC chairperson ("JFC Chairperson") shall be Nektar's JFC Representative and shall serve throughout the Term.

5.5.3 Meetings. The JFC shall meet at least once per Calendar Quarter unless otherwise mutually agreed by the Parties, at dates and times to be mutually agreed. Either Party may request a special meeting of the JFC on prior written notice to the other Party, which special meeting will be held within a reasonable time of the request, at a date and time to be mutually agreed. The JFC may invite individuals who are not JFC Representatives to participate in JFC meetings; provided that (a) the JFC Representatives of both Parties consent to such non-member's participation; and (b) such non-member is subject to confidentiality obligations consistent with those set forth in Article 10 of this Agreement.

5.5.4 Attendance at Other Meetings. The JFC Representatives of both Parties shall have the right to attend any meetings of the JSC, JOC or JPT, on reasonable advance notice to the other Party's Alliance Manager, which notice may be provided by email from one Party's Alliance Manager to the other Party's Alliance Manager.

5.5.5 Costs. For clarity, each Party shall bear its own expenses relating to the meetings of the JFC and such costs will not be deemed Development Costs hereunder.

5.5.6 Responsibilities of the JFC (Review and Discuss). The JFC's responsibilities will include the following:

5.5.6.1 development of procedures for: the maintenance of records by SFJ of Development Costs incurred by it; Calendar Quarterly information sharing; reporting of actual financial results; Calendar Quarterly reconciliation; reasonable cost forecasting; other finance and accounting matters related to Development Costs for HNC Clinical Trials; and such other procedures as are necessary or desirable to enable each Party to achieve and maintain finance and accounting compliance with Applicable Law (collectively, the "Development Cost Reconciliation Procedures") for approval by the JOC;

5.5.6.2 preparation of initial Development Costs budgets, of which the JFC Representative designated by SFJ shall prepare the initial draft that the full JFC will then review, discuss and revise (including to include any additional information as the JFC may agree), for all initial HNC Clinical Trials anticipated to commence during Calendar Year 2021, on a Calendar Year basis, promptly following the establishment of the JFC by the JOC, for approval by the JOC;

5.5.6.3 by October 15, 2021 and by October 15th of each Calendar Year thereafter while HNC Clinical Trials are being conducted, preparation and presentation of initial draft versions of Development Costs budgets for all HNC Clinical Trials to be conducted during the following Calendar Year, and presentation of final draft versions of such Development Costs budgets for all HNC Clinical Trials to be conducted during the following Calendar Year to the JOC for approval by November 30th of each Calendar Year (unless a different date is mutually agreed by the JFC Representatives);

5.5.6.4 periodic review of the status of Development Cost budgets, the progress of HNC Clinical Trials, and performance of HNC Clinical Trials against Development Cost budgets, including actual Development Costs incurred to date, forecast of remaining Development Costs, and costs contracted with Third Parties,

5.5.6.5 periodic review and, if deemed necessary by the JFC, revision of the Quarterly Labor Fees, including any revisions reasonably necessary for Additional HNC Clinical Trial Protocols (if any);

5.5.6.6 overseeing Development Cost Reconciliation Procedures;

5.5.6.7 providing support to the JSC, JOC and JPT with respect to financial, accounting, budgeting, reporting and other matters that may arise in connection with a Development Costs budget and other activities under this Agreement;

5.5.6.8 review and discuss any Success Payments that may become due from Nektar to SFJ pursuant to Article 6; and

5.5.6.9 discussing any other topics or issues relating to any Development Costs budget, other activities of the JFC, or other activities under this Agreement as either Party's JFC Representative or the JOC may request.

ARTICLE 6

PAYMENTS TO SFJ

6.1 Regulatory Approval. Nektar will pay to SFJ, in US Dollars, the amounts set forth in this Section 6.1.

6.1.1 Upon the latest to occur of (a) the First Regulatory Approval and (b) the Initial Payment Trigger Date (such latest date, the "Initial Payment Date"), and subject to Section 6.1.3, Nektar will pay SFJ the amounts set forth in Success Payment Schedule A below (in the column entitled "Amount of Payment") on the dates set forth in the column entitled "Date of Payment" (each payment payable pursuant to this Section 6.1.1, a "Schedule A Success Payment" and the first payment payable pursuant to this Section 6.1.1 no later than thirty (30) days following the Initial Payment Date, the "Initial Schedule A Success Payment").

Success Payment Schedule A

Date of Payment	Amount of Payment
No later than 30 days following the Initial Payment Date	$30,000,000
1-Year Anniversary of Initial Payment Date	[***]
2-Year Anniversary of Initial Payment Date	[***]
3-Year Anniversary of Initial Payment Date	[***]
4-Year Anniversary of Initial Payment Date	[***]
5-Year Anniversary of Initial Payment Date	[***]
Total	$450,000,000

6.1.2 Upon the notification to Nektar of a Second Regulatory Approval (the date such notification, the "Second Regulatory Approval Date"), and subject to Section 6.1.3, Nektar will pay SFJ the amounts set forth in Success Payment Schedule B below (in the column entitled "Amount of Payment") on the dates set forth in the column entitled "Date of Payment" (each payment payable pursuant to this Section 6.1.2, a "Schedule B Success Payment" and the first

payment payable pursuant to this Section 6.1.2 no later than thirty (30) days following the Second Regulatory Approval Date, the "Initial Schedule B Success Payment").

Success Payment Schedule B

Date of Payment	Amount of Payment
No later than 30 days following the Second Regulatory Approval Date	[***]
1-Year Anniversary of Second Regulatory Approval Date	[***]
2-Year Anniversary of Second Regulatory Approval Date	[***]
3-Year Anniversary of Second Regulatory Approval Date	[***]
4-Year Anniversary of Second Regulatory Approval Date	[***]
5-Year Anniversary of Second Regulatory Approval Date	[***]
6-Year Anniversary of Second Regulatory Approval Date	[***]
7-Year Anniversary of Second Regulatory Approval Date	[***]
Total	$150,000,000

6.1.3 If the Regulatory Approval giving rise to the requirement for Nektar to make payments to SFJ pursuant to Section 6.1.1 or 6.1.2 (the "Specified Regulatory Approval") is an Accelerated Regulatory Approval, and such Accelerated Regulatory Approval is later withdrawn by the FDA for any reason (other than to issue a full Regulatory Approval), then (a) Nektar shall have no obligation to make any additional payments pursuant to Section 6.1.1 or 6.1.2, as applicable, during the period after withdrawal of such Accelerated Regulatory Approval and before such time (if ever) as the Specified Regulatory Approval is again obtained (a "Subsequent Regulatory Approval") and (b) Nektar shall be obligated to use Commercially Reasonable Efforts to (i) resolve any manufacturing issues, if the withdrawal is related to a manufacturing related issue, [***], and (ii) obtain Subsequent Regulatory Approval unless such withdrawal is due to safety or efficacy reasons; provided that in no event shall Nektar be required to conduct any additional clinical study to demonstrate the safety and/or efficacy of the Product following withdrawal by the FDA of such Accelerated Regulatory Approval, except as set forth in clause (i) above. If Subsequent Regulatory Approval is obtained, Nektar's obligation to make Success Payments shall resume and the due date for payments pursuant to Section 6.1.1 or 6.1.2, as applicable, following such Subsequent Regulatory Approval shall be extended by the number of days between the withdrawal of the Accelerated Regulatory Approval and the applicable Subsequent Regulatory Approval.

6.1.4 Within ninety (90) days following receipt by Nektar of an Other Indication Regulatory Approval, Nektar shall pay SFJ an amount equal to $37,500,000. Nektar shall not be responsible for making more than one payment to SFJ pursuant to this Section 6.1.4.

6.1.5 Each Schedule A Success Payment, Schedule B Success Payment and the payment set forth in Section 6.1.4 is referred to as a "Success Payment" and collectively as the "Success Payments," and shall be subject to adjustment as provided in Section 6.2.

6.2 Payment Adjustments. In the event that the actual Development Costs paid or incurred by SFJ hereunder are lower or greater than One Hundred Fifty Million U.S. Dollars ($150,000,000.00) as of the date of payment of any Success Payment, Approval Buyout Payment or Buy-Out Payment, such payment will be multiplied by a fraction, the numerator of which is equal to the actual amount of Development Costs paid or incurred by SFJ hereunder and the denominator of which is One Hundred Fifty Million U.S. Dollars ($150,000,000.00). In the event that Nektar becomes obligated to make a Success Payment to SFJ while Development Costs are still being paid or incurred, SFJ shall recalculate the applicable adjustment as of the end of each Calendar Year and as of such time as the final amount of actual Development Costs is known and determine any true-up payments required to be made by Nektar with respect to any payment made pursuant to Section 6.1 prior to such time, and Nektar shall pay any such true-up payment to SFJ within thirty (30) days after receipt of invoice from SFJ. For purposes of clarity, in the event that the amount funded by SFJ is less than $150,000,000 as a result of an early termination of the HNC Clinical Trials due to the occurrence of HNC Clinical Trial Futility or Safety Concern, the foregoing pro rata funding provision based on actual SFJ investment shall apply.

6.3 Method and Timing of Payment. The Success Payments to SFJ will be due as of the applicable dates set forth in Sections 6.1.1, 6.1.2 or 6.1.4, as may be adjusted pursuant to Sections 6.1.3 or 6.2, and shall be paid by wire transfer of immediately available funds to an account specified by SFJ from time to time. Nektar will provide SFJ with written notice of each wire transfer to SFJ's account. All amounts payable and calculations under this Agreement shall be in US dollars.

6.4 Late Payments. If Nektar fails to pay any undisputed amount due under this Agreement on the due date therefore, then, without prejudice to any other remedies that SFJ may have, that amount will bear interest from the due date until payment of such amount is made, both before and after any judgment, [***].

6.5 Taxes.

6.5.1 Notwithstanding anything to the contrary, on or prior to the Effective Date, SFJ shall deliver to Nektar a duly completed and valid (A) IRS Form W-9 certifying that SFJ is a United States person, as such term is defined in Section 7701(a)(30) of the IRC, (B) applicable IRS Form W-8BEN-E claiming treaty benefits under a double taxation treaty with respect to each of "royalties," "interest" and "other income," (C) IRS Form W-8IMY to which the forms set forth in the preceding (A) and (B) are attached, or (D) other applicable IRS Form W-8 that indicates no withholding is required in respect of the Product Payments, (in each case ((A) through (D)), the "IRS Withholding Form"), and SFJ shall provide an updated IRS Withholding Form to Nektar throughout the Term whenever required in order for SFJ to have on file a duly completed and valid IRS Withholding Form.

6.5.2 The Parties hereby acknowledge and agree that payments made under this Agreement will be made without reduction for withholding or similar taxes if Nektar, at the time of any such payment, has on file a duly completed and valid IRS Withholding Form in respect of SFJ, unless such withholding or similar tax is required (x) by a taxing authority as a result of an

audit or examination, (y) due to the assignment of this Agreement or any payment or other obligation or responsibility hereunder (to the extent permitted) by either Party to an Affiliate or Third Party, the re-domiciling of either Party outside the US or any other circumstance that results in either Party no longer being a United States person for U.S. federal income tax purposes, or that results in SFJ no longer being able to provide an IRS Withholding Form, or (z) as a result of a change in Applicable Laws at any time during the Term. In any such case, the Parties shall use commercially reasonable and legal efforts to mitigate the amount of such taxes that would need to be withheld and/or paid. Either Party may request a meeting of the JFC to further discuss any conclusion that a payment should be made with reduction for withholding or similar taxes. Any amounts withheld pursuant to this Section 6.5 will be timely paid over to the appropriate taxing authority, and will be treated for purposes of this Agreement as having been paid to the Party that otherwise would have received such amounts. If a Party (the "Withholding Party") is required to withhold any taxes on the amounts payable to the other Party (the "Recipient Party") hereunder as a result of any actions described in clause (y) above by such Withholding Party (or its Affiliates), the Withholding Party shall pay the Recipient Party such additional amounts as are necessary to ensure receipt by the Recipient Party of the full amount which the Recipient Party would have received but for the deduction on account of such withholding. The paying party shall be liable for and shall pay any sales, use, value-added or other similar taxes imposed on payments required to be made hereunder.

6.6 Tax Cooperation. The Parties will cooperate and produce on a timely basis any tax forms or reports, including any IRS Forms W-8BEN or W-9, as applicable, reasonably requested by the other Party in connection with any payment made under this Agreement. Each Party will provide to the other Party any other tax forms that may be reasonably necessary in order for such Party not to withhold tax or to withhold tax at a reduced rate under an applicable bilateral income tax treaty. Each Party will provide, upon request, to the other Party any tax forms at least thirty (30) days prior to the due date for any such payments; provided that the request for such forms was made in a timely manner. Each Party will provide the other with commercially reasonable assistance to enable the recovery, as permitted by law, of withholding taxes, VAT, or similar obligations resulting from payments made under this Agreement, such recovery to be for the benefit of the Party bearing such withholding tax or VAT. Each Party will provide commercially reasonable cooperation to the other Party, at the other Party's expense, in connection with any official or unofficial tax audit or contest relating to tax payments made with respect to amounts paid or payable to such other Party under this Agreement.

6.7 Buy-Out Option.

6.7.1 Approval Buy-Out Option.

6.7.1.1 Within one hundred and eighty (180) days following the Initial Payment Date (in the case of Schedule A Success Payments) or one hundred and eighty (180) days following the Second Regulatory Approval Date (in the case of Schedule B Success Payments), Nektar shall have the right to make a one-time payment (each, an "Approval Buy-Out Payment") in lieu of all (but not less than all) Schedule A Success Payments or Schedule B Success Payments, as applicable (in each case as adjusted in accordance with

Section 6.2) (other than the Initial Schedule A Success Payment or Initial Schedule B Success Payment, as applicable, payable pursuant to Section 6.1, in each case, as adjusted in accordance with Section 6.2, which shall remain due and payable if not previously paid) by written notice delivered to SFJ no later than ninety (90) days after the date of the Initial Payment Date or Second Regulatory Approval Date, as applicable, which written notice shall set forth the amount of the applicable Approval Buy-Out Payment, the proposed date of closing (which shall occur within one hundred and eighty (180) days after the Initial Payment Date or Second Regulatory Approval Date, as applicable), and the calculation of the applicable Approval Buy-Out Payment in reasonable detail based upon the proposed closing date. The Approval Buy-Out Payment will be calculated as follows:

$$Buyout\ Amount = \sum_{i=1}^{n} \frac{P_i}{(1+r)^{\frac{(d_i - d_1)}{365}}}$$

Where:

P_i = Success Payments that the Approval Buy-Out Amount applies to, as adjusted in accordance with Section 6.2

r = the Discount Rate

d_i = payment date per schedule

d_1 = closing date of buyout

Each Approval Buy-Out Payment will be payable in one installment in cash at the closing to an account specified by SFJ. The discount rate used to calculate each Approval Buy-Out Payment shall be [***] (the "Discount Rate"). If Nektar elects to make an Approval Buy-Out Payment in lieu of the Schedule A Success Payments, then following such payment Nektar shall no longer be subject to the provision of Section 7.1.

6.7.1.2 In the event that Nektar becomes obligated to make Schedule A Success Payments or Schedule B Payments as a result of an Accelerated Regulatory Approval, then the time period for Nektar to elect to buy out the Schedule A Success Payments or Schedule B Payments, as applicable, shall be extended to the date which is ninety (90) days after such Accelerated Regulatory Approval becomes a full Regulatory Approval, with the applicable Approval Buy-Out Payment to be paid within one hundred eighty (180) days after the date of such full Regulatory Approval.

6.7.2 Change of Control Payment. If a Change of Control is consummated, then within forty-five (45) days following the closing of such Change of Control, Nektar shall pay SFJ an amount in cash equal to one hundred and fifty percent (150%) of actual Development Costs paid or incurred by SFJ hereunder prior to such Change of Control (such payment, the "Change of Control Payment"), provided that no Change of Control Payment shall be payable to SFJ if either (a) the HNC Clinical Trial has been completed but the HNC Clinical Trial Success Criteria was not achieved or (b) HNC Clinical Trial Futility has occurred. The

Change of Control Payment, if any, shall be credited toward future Success Payments in chronological order.

6.7.3 [***].

ARTICLE 7

CERTAIN COVENANTS

7.1 Negative Covenants.

7.1.1 Encumbrances. Nektar shall not, without SFJ's prior written consent, create, incur, allow, or suffer any Lien on any of the Nektar Intellectual Property, or assign or convey any right to receive income with respect to the Nektar Intellectual Property (other than royalty and other license fee obligations to licensors thereof in accordance with the applicable license agreement), including the sale of any Nektar Intellectual Property, or permit any of its subsidiaries to do so; provided, however, that nothing in this provision or this Agreement shall require the consent of SFJ (a) for Nektar to issue senior secured debt secured by all or substantially all of the assets of Nektar including the Nektar Intellectual Property; or (b) for any transaction between Nektar and one or more of its Affiliates so long as such Affiliates are bound by the same restrictions as Nektar set forth in this Section 7.1.

7.1.2 Licenses. Without SFJ's prior approval, Nektar shall not enter into a Licensing Transaction in the U.S. or Major European Markets to any Third Party; provided that this consent provision will not apply to any transaction between Nektar and one or more Nektar Affiliates so long as Nektar guarantees the obligations and performance of such Nektar Affiliates.

7.1.3 Sales of Royalty Streams. Nektar shall not, without SFJ's consent, sell, transfer or assign, directly or indirectly, in whole or in part, any rights to receive payments of royalties or license fees with respect to the Product or the Nektar Intellectual Property (including any Accounts with respect to such royalties or license fees), other than to a wholly owned direct or indirect subsidiary of Nektar.

7.1.4 Restriction on Acquiring or Transacting in Nektar Securities. SFJ agrees that, unless otherwise agreed in writing by Nektar, until the earliest of (a) the expiration of the Term and (b) the date on which the top line results of the last remaining Clinical Trial are published or otherwise become publicly available, neither it nor any of its Affiliates, and its and their respective officers, directors, managers, employees, agents, or representatives will acquire beneficial ownership of or transact in any securities (including any derivative securities or any other instrument that provides the holder thereof with the economic equivalent of ownership of an amount of securities of Nektar) of Nektar.

7.2 Affirmative Covenants.

7.2.1 Government Compliance. Nektar shall maintain its and all its subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on the Development or Commercialization of the Product, provided that any subsidiary may liquidate or dissolve so long as such liquidation or dissolution would not reasonably be expected to have a material adverse effect on the Development or Commercialization of the Product. Nektar shall comply, and shall cause each subsidiary to comply, in all material respects, with all laws, ordinances and regulations to which it is subject, noncompliance with which would reasonably be expected to have a material adverse effect on the Development or Commercialization of the Product.

7.2.2 Regulatory Compliance. Nektar shall not become an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Nektar shall not become engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Neither Nektar's nor any of its Subsidiaries' properties or assets shall be used by Nektar or any Subsidiary in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Nektar and each of its subsidiaries shall obtain all consents, approvals and authorizations of, make all declarations or filings with, and give all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, unless such failure could not reasonably be expected to have a material adverse effect on the Development or Commercialization of the Product.

7.2.3 Protection of Intellectual Property Rights. Nektar shall use Commercially Reasonable Efforts in the exercise of its business judgment to prosecute, protect, defend and maintain the validity and enforceability of the Nektar Intellectual Property.

7.2.4 Acceleration. In the event that, following an applicable Regulatory Approval, (a) Nektar shall fail to make any Success Payment associated with such Regulatory Approval on or before its due date, (b) Nektar has received written notice from SFJ of such failure, specifying in reasonable detail the particulars of such failure, (c) Nektar has not cured such failure [***] following receipt of such notice and (d) the amount of such Success Payment and/or whether such Success Payment is due and payable has not been disputed, all remaining unpaid Success Payments that are based on such Regulatory Approval shall become immediately due and payable; provided that, in the event of any such acceleration, SFJ's rights to receive such Success Payments, if any, shall be adjusted as set forth in Section 6.2 and reduced by any amounts previously paid to SFJ

7.2.5 Audit Rights. Upon at least [***] and during normal business hours, [***], Nektar may cause an inspection and/or audit by an independent public accounting firm, to be compensated on the basis of time spent and to be reasonably acceptable to SFJ, to be made of the books and records of SFJ and its Affiliates, and the Approved CROs and Approved Vendors with which it contracts, for the [***] purpose of determining the correctness of Development Costs paid and/or incurred under this Agreement. Upon Nektar's reasonable request not more

than once in any Calendar Year, SFJ shall use commercially reasonable efforts to exercise any rights it may have under any agreement with a Permitted CRO or a Permitted Vendor to cause an inspection and/or audit by an independent public accounting firm, to be compensated on the basis of time spent, to be made of the books of account of such Permitted CRO or Permitted Vendor for the purpose of determining the correctness of payments made to such Permitted CRO or Permitted Vendor and the correctness of Development Costs paid and/or incurred under this Agreement. All of the expenses of any inspection or audit requested by Nektar hereunder (including the fees and expenses of such independent public accounting firm designated for such purpose) shall be borne by (i) Nektar, if the independent public accounting firm determines that Development Costs were underpaid by an amount less than or equal to [***] of the Development Costs actually paid or (ii) Nektar, if the independent public accounting firm determines that the Development Costs previously paid were incorrect by an amount greater than [***] of the Development Costs actually paid. All information obtained by Nektar as a result of any such inspection or audit shall be Confidential Information subject to Article 9.

ARTICLE 8

RECORDS

8.1 Accounting. Each Party will maintain materially complete and accurate accounting records related to this Agreement in accordance with GAAP. Each Party will retain such records for two (2) years after the earlier of expiration or early termination of this Agreement.

8.2 Clinical Trials-Related Records. Each Party shall, and shall cause its Affiliates and its and their Permitted Third Parties conducting Development of the Product to, maintain, in good scientific manner, complete and accurate books and records pertaining to Development of the Product hereunder, in sufficient detail to verify compliance with its obligations under this Agreement. Such books and records shall (a) be appropriate for patent and regulatory purposes, (b) be in compliance with Applicable Law, (c) properly reflect all work done and results achieved in the performance of its Development activities hereunder, and (d) be retained by such Party for such period as may be required by Applicable Law.

ARTICLE 9

CONFIDENTIAL INFORMATION

9.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party (each, a "Receiving Party") agrees that, during the Term and for the five (5)-year period following the expiration or termination of this Agreement (except that the obligations will survive thereafter with respect to any Confidential Information that constitutes a trade secret under Applicable Law) or such longer periods for which such Confidential Information may be maintained pursuant to Article 8, it will keep confidential and will not publish or otherwise disclose and will not use for any purpose other than as provided for in this Agreement (which includes the exercise of any rights or the performance of any obligations hereunder) any Confidential Information furnished to it by or on

behalf of the other Party (each, a "Disclosing Party") or its Affiliates in connection with this Agreement. The foregoing obligations will not apply to any portion of such information or materials that the Receiving Party can demonstrate:

9.1.1 was publicly disclosed by the Disclosing Party before or after such Confidential Information becomes known to the Receiving Party;

9.1.2 was already known to the Receiving Party or any of its Affiliates, other than under an obligation of confidentiality or non-use, prior to when it was received from the Disclosing Party;

9.1.3 is subsequently disclosed to the Receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof without obligation to keep such Confidential Information confidential;

9.1.4 has been published by a Third Party or otherwise enters the public domain through no fault of the Receiving Party or any of its Affiliates in breach of this Agreement; or

9.1.5 has been independently developed by the Receiving Party or any of its Affiliates, without the aid, application or use of any Confidential Information of the other Party.

9.2 Authorized Disclosure. Each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary for complying with Applicable Laws, including regulations promulgated by securities exchanges, provided that the Party required to disclose such information promptly notifies the Disclosing Party prior to making any such disclosure and cooperates with the Disclosing Party's efforts to seek confidential treatment or to otherwise limit disclosure. Each Receiving Party may disclose the other Party's Confidential Information to its Affiliates and its and their Representatives, advisors and independent contractors (including Permitted Third Parties) engaged by such Receiving Party, and with respect to SFJ, the Specified Investors, in each case (a) only to the extent such Persons need to know the Confidential Information solely in connection with the performance of this Agreement or in the case of the Specified Investors, as necessary to monitor and manage its investment in SFJ, and (b) provided that each Person receiving Confidential Information must be bound by obligations of confidentiality and non-use at least as stringent as an equivalent in scope to those set forth in this Article 9 prior to any such disclosure and the Party making such disclosure to such Person shall be liable to the other Party for any breach of such obligations by such disclosee. [***]. In any event, each Party agrees to take all reasonable action to avoid unauthorized use or disclosure of Confidential Information of the other Party hereunder.

9.2.1 [***].

9.2.2 [***].

9.3 Return of Confidential Information. Except as otherwise provided herein, upon expiration or earlier termination of this Agreement, all Confidential Information (including any copies thereof) in written or other tangible form will, at the Disclosing Party's direction, be

returned to the Disclosing Party or destroyed by the Receiving Party, and any Person(s) to whom the Receiving Party disclosed (with such destruction being certified in writing by an authorized officer of the Receiving Party), except (i) to the extent such Confidential Information is necessary to exercise any license and/or rights hereunder that survive such expiration or earlier termination; and (ii) one (1) copy of each document may be retained by the Receiving Party solely to the extent necessary to permit it to comply with any ongoing rights and responsibilities with respect to such Confidential Information.

9.4 Confidential Status of the Agreement. Subject to Section 9.2 and Section 9.5, the terms of this Agreement are deemed to be Confidential Information and will be subject to the confidentiality requirements of this Article 9, with each Party being deemed a Receiving Party for such purposes. The Parties each acknowledge that it will be necessary for Nektar to file this Agreement with the U.S. Securities and Exchange Commission and to make other required public disclosures regarding the terms of this Agreement, and accordingly Nektar shall prepare a confidential treatment request in connection with such filing and provide SFJ a reasonable opportunity to review and comment on such filing as well as on such other required public disclosures and thereafter use Commercially Reasonable Efforts to obtain confidential treatment as to the terms of this Agreement; provided that Nektar shall not be required to provide SFJ the opportunity to review and comment on any disclosure previously reviewed and commented upon by SFJ.

9.5 Publicity. The Parties recognize that following the Effective Date the Parties (either individually or jointly) shall issue mutually agreed press release(s) announcing the execution of this Agreement, and thereafter each Party may from time to time desire to issue additional press releases and make other public statements or disclosures regarding the subject matter of this Agreement, and hereby agree that such additional press releases, public statements and disclosures regarding the terms of this Agreement will be permitted only with the other Party's written consent (which shall not be unreasonably withheld, conditioned or delayed). Any publication, news release or other public announcement relating to the terms of this Agreement will first be reviewed and approved in writing by both Parties; provided, however, that any disclosure of the minimum information which is required by Applicable Law (including the rules of a securities exchange), as reasonably advised by the disclosing Party's counsel, may be made without the prior consent of the other Party, although the other Party will be given prompt notice of any such legally required disclosure and to the extent practicable will be provided an opportunity to comment on the proposed disclosure and the disclosing Party will consider in good faith any comments provided by the other Party on such proposed disclosure. For avoidance of doubt, this Section 9.5 shall not restrict Nektar from releasing public statements or disclosures regarding Nektar's development and Commercialization activities with respect to the Product.

9.6 Use of Name. Unless otherwise expressly permitted herein, Nektar will (i) obtain the written consent of SFJ prior to making any public reference to any of SFJ's investors (including without limitation the Specified Investors), including without limitation in any filings with the SEC, and (ii) obtain SFJ's written consent (which consent will not unreasonably be withheld, conditioned or delayed) prior to referring to SFJ or any of its investors (including

without limitation the Specified Investors) in any correspondence with any Regulatory Authority or Governmental Authority (whether or not such references would be expected to become publicly available) or in any press release except as may be required by Applicable Law. This Section 9.6 shall also apply *vice versa* to any use by SFJ of Nektar's name.

ARTICLE 10

INTELLECTUAL PROPERTY AND PERSONALLY IDENTIFIABLE INFORMATION

10.1 Ownership and Rights.

10.1.1 Ownership.

10.1.1.1 Existing Intellectual Property. Subject to Section 10.1.1.2, it is agreed between the Parties that each Party will retain all right, title and interest in, to and under all Intellectual Property that is Controlled by such Party as of the Effective Date.

(a) Without limiting the generality of the foregoing, as between the Parties, Nektar shall be and remain the sole and exclusive owner of all right, title and interest in and to all Nektar Intellectual Property existing as of the Effective Date ("Existing Nektar Intellectual Property"), including, in the case of Patents within the Existing Nektar Intellectual Property ("Existing Nektar Patents"), all patent applications filed after the Effective Date that claim priority to, or are foreign counterparts of, patent applications within the Existing Nektar Patents ("Corresponding Nektar Patent Applications") and all Patents that may issue or be granted from any patent application within the Existing Nektar Patents or any Corresponding Nektar Patent Application after the Effective Date. In addition, Nektar shall be and remain the sole and exclusive owner of all right, title and interest in and to all Nektar Intellectual Property arising during the term of this Agreement independent of the conduct of the activities contemplated by this Agreement.

10.1.1.2 Trial Inventions.

(a) Nektar shall be the exclusive and sole owner of, and retain all right, title and interest in and to, all Trial Inventions (which shall constitute Nektar Intellectual Property), regardless of inventorship. SFJ will promptly disclose, and will cause its Affiliates and all Permitted Third Parties engaged by SFJ or its Affiliates to perform any of SFJ's obligations hereunder promptly to disclose, to Nektar in writing in reasonable detail each Trial Invention made, developed, created, generated, conceived or reduced to practice in whole or in part by or on behalf of SFJ, such Affiliate or such Permitted Third Party, which written disclosure shall include all available information and data necessary to support the filing of patent applications Covering such Trial Invention. SFJ, for itself and on behalf of its Affiliates, hereby assigns, and shall cause such other Permitted Third Parties to assign (subject to Section 10.1.1.2(c)), to Nektar all its right, title and interest in and to Trial Inventions and all information and data necessary to support the filing of patent applications Covering such Trial Inventions. SFJ will cooperate, and will cause the foregoing Persons to cooperate, with Nektar

to effectuate and perfect the foregoing ownership, including by promptly executing and recording assignments and other documents consistent with such ownership.

(b) SFJ shall cause each employee and individual consultant of SFJ or its Affiliates (but excluding Permitted Third Parties of SFJ and its Affiliates, which are separately addressed in Section 10.1.1.2(c)) who conceives, discovers, develops or otherwise makes any Trial Invention to be subject to a present obligation to assign to Nektar all right, title and interest in and to in any such Trial Invention. In the case of any individual consultant of SFJ or its Affiliates (excluding SFJ's and its Affiliates' Permitted Third Parties), if SFJ is unable to cause such consultant to agree to such assignment obligation despite SFJ's using Commercially Reasonable Efforts to negotiate such assignment obligation, then SFJ shall inform Nektar of such inabiltiy to cause such consultant to agree to such assignment obligation and at Nektar's sole discretion either: (A) cause such consultant to grant an exclusive, worldwide, royalty-free, fully-paid, freely-assignable license, with the right to sublicense through multiple tiers, under their rights in such Trial Invention to develop, make, have made, use, sell, have sold, offer for sale and import the Product for any and all uses, except where prohibited by Applicable Law and except in the case of consultants who are employed by governmental, not-for-profit, or public institutions that have standard policies against such an assignment (in which case, SFJ shall use Commercially Reasonable Efforts to obtain a suitable license, or right to obtain such a license); or (B) refrain from using such consultant to conduct activities pursuant to this Agreement.

(c) SFJ shall obtain from each Third Party contractor that SFJ or its Affiliate proposes to engage to conduct activities under or in connection with this Agreement on behalf of SFJ or its Affiliates (i) an assignment, (ii) an exclusive, worldwide, royalty-free, fully-paid, freely-assignable license, with the right to sublicense through multiple tiers, or (iii) a nonexclusive, worldwide, royalty-free, fully-paid, freely-assignable license, with the right to sublicense through multiple tiers ((i) through (iii) in order of preference), to Nektar of any Trial Invention that such Third Party contractor conceives, discovers, develops or otherwise makes in connection with activities conducted relating to this Agreement. The Parties acknowledge that it may not be possible to obtain such assignment or license from any such Third Party contractor with respect to technology of broad applicability to the operation of such Third Party contractor's business or improvements, or improvements to such Third Party contractor's own proprietary technology used in the performance of services on behalf of SFJ or its Affiliate, in each case, on acceptable terms or at all, and accordingly, following notice by SFJ to Nektar, the Parties agree that the inability of SFJ or its Affiliate to obtain such assignment or license from a Third Party contractor on acceptable terms or at all shall not constitute a breach of SFJ's obligations under this Agreement.

10.1.1.3 Trial Data Package. Nektar shall be the sole and exclusive owner of the Trial Data Package including the Research Results included therein. SFJ, for itself and on behalf of its Affiliates, hereby assigns, and shall cause such other Permitted Third Parties to assign (subject to Section 10.1.1.2(c)), to Nektar all its right, title and interest in and to the Trial Data Package, including the Research Results included therein. SFJ will cooperate, and will cause the foregoing Persons to cooperate, with Nektar to effectuate and perfect the foregoing

ownership, including by promptly executing and recording assignments and other documents consistent with such ownership.

10.1.1.4 Inventorship; Further Assurances. Inventorship of Trial Inventions will be determined according to the principles of US patent law. SFJ agrees to cooperate fully, to cause its Affiliates to cooperate fully, and to use Commercially Reasonable Efforts to cause its and their respective Permitted Third Parties to cooperate fully with Nektar in the preparation, filing, prosecution and maintenance of Patents Covering Trial Inventions filed by or on behalf of Nektar claiming any Licensed Know-How. Such cooperation includes executing all papers and instruments, or requiring its employees, consultants and Permitted Third Parties, to execute such papers and instruments, so as to (a) effectuate the ownership of Trial Inventions set forth in Section 10.1.1.2(a), including Patents claiming or disclosing Trial Inventions, and (b) enable Nektar to apply for and to prosecute patent applications claiming Trial Inventions in any country.

10.1.1.5 No Other Rights. The delivery or disclosure by or on behalf of Nektar to SFJ of any information or materials hereunder will not be construed to grant SFJ any rights or license to use any Intellectual Property Controlled by Nektar other than as necessary to comply with its obligations hereunder or as expressly set forth herein. Except as otherwise expressly permitted in this Agreement, SFJ may not use, publish or otherwise disclose any Intellectual Property Controlled by Nektar without Nektar's prior written consent.

10.2 Patent Prosecution. As between SFJ and Nektar, Nektar will have sole and exclusive right to prepare, file, prosecute and maintain all Patents within the Nektar Intellectual Property, including all Patents that cover the Trial Inventions, at its own expense (provided that Nektar shall use Commercially Reasonable Efforts to prosecute and maintain such Patents). At Nektar's request and expense (for reasonable out-of-pocket expenses), SFJ will reasonably cooperate with Nektar in preparing, filing, prosecuting, and maintaining such Patents.

10.3 Intellectual Property Enforcement.

10.3.1 Nektar Intellectual Property. Nektar will use Commercially Reasonable Efforts to enforce the Nektar Intellectual Property, including Intellectual Property that covers the Trial Inventions, against Third Party Infringements.

10.3.2 Infringement of Third Party Rights. If either Party learns of Third Party allegations that it or the other Party or any of its or the other Party's Affiliates or Permitted Third Parties, have infringed, misappropriated or otherwise violated, or are infringing, misappropriating or otherwise violating, any Intellectual Property of a Third Party in connection with either the Clinical Trials or performing its obligations or duties hereunder, such Party will promptly notify the other Party. Nektar will have sole control and responsibility of, and discretion with respect to, such allegations and any related actions and/or litigation.

10.4 Personally Identifiable Information.

10.4.1 In conducting the Clinical Trials and its other obligations under this Agreement, each Party will comply, and will use Commercially Reasonable Efforts to require each applicable Permitted Third Party of such Party to comply, with Applicable Laws relating to privacy or data protection applicable to such Party or the Clinical Trials being conducted by or on behalf of such Party, including ensuring that all necessary (a) consents from Clinical Investigators, Subjects and any others from whom Personally Identifiable Information will be received are obtained; (b) regulatory notifications are filed in all countries for which Sites have been selected; and (c) approvals are obtained in all countries for which Sites have been selected, prior to collection or transfer of such Personally Identifiable Information. Without prejudice to the generality of the foregoing, each Party shall (i) work together with the other Party in good faith to ensure the information referred to in applicable laws and, if applicable, in particular Articles 13 and 14 of the General Data Protection Regulation (2016/679) ("GDPR") is made available to data subjects (as defined in the GDPR) in relation to the processing of their Personally Identifiable Information by either Party when acting as a data controller (as defined in the GDPR), and the information is in a concise, transparent, intelligible and easily accessible form, using clear and plain language as required by Article 12 of the GDPR; (ii) if either Party (the "Data Receiving Party") receives any complaint, notice or communication from a supervisory authority (as defined in the GDPR) which relates directly or indirectly to the other Party's (A) processing of the Personally Identifiable Information; or (B) potential failure to comply with the provisions of the GDPR, the Data Receiving Party shall, to the extent permitted by law, promptly forward the complaint, notice or communication to the other Party and provide the other Party with reasonable co-operation and assistance in relation to the same; (iii) if a data subject makes a written request to a Party to exercise their rights in relation to their Personally Identifiable Information that concerns processing in respect of which the other Party is the data controller, that Party shall forward the request to the other Party promptly and in any event within five (5) Business Days from the date on which it received the request and, upon the other Party's reasonable written request, provide that other Party with reasonable co-operation and assistance in relation to that request to enable the other to respond to such request and meet applicable timescales set out under the GDPR; (iv) if either Party becomes aware of a personal data breach (as defined in the GDPR), it shall notify the other Party without undue delay, and each Party shall co-operate with the other, to the extent reasonably requested, in relation to any notifications to supervisory authorities or to data subjects which either Party is required to make under the GDPR.

10.4.2 Each Party will not process, and will use Commercially Reasonable Efforts to require each applicable Permitted Third Party of such Party to not process, any Personally Identifiable Information in a way that is contrary to Applicable Laws or any Informed Consent.

10.4.3 Each Party will use Commercially Reasonable Efforts to maintain, and will use Commercially Reasonable Efforts to require each applicable Permitted Third Party of such Party to maintain, appropriate and sufficient technical and organizational security measures to maintain the confidentiality of Personally Identifiable Information and to protect such data

against accidental or unlawful destruction or accidental loss, damage, alteration, unauthorized disclosure or access, in particular where such data is transmitted over a network. These technical and organizational security measures shall ensure a level of security appropriate to the risk, including, as appropriate, (a) pseudonymisation and encryption; (b) the ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services; (c) the ability to restore the availability and access to the Personally Identifiable Information in a timely manner in the event of a physical or technical incident; and (d) a process for regularly testing, assessing and evaluating the effectiveness of those measures.

10.4.4 Each Party shall notify the other Party of: (a) any unauthorized use or disclosure or breach of any Personally Identifiable Information promptly upon discovery of such occurrence; and (b) the transmittal of any related breach notification to any affected person, Governmental Authority or the media. Each Party will use Commercially Reasonable Efforts to require each applicable Permitted Third Party of such Party to notify the such Party of: (i) any unauthorized use or disclosure or breach of any Personally Identifiable Information promptly upon discovery of such occurrence and (ii) the transmittal of any related breach notification to any affected person, Governmental Authority or the media.

ARTICLE 11

INDEMNIFICATION AND INSURANCE

11.1 Indemnification by Each Party.

11.1.1 By SFJ. SFJ will indemnify and hold Nektar; its Affiliates and their respective officers, directors, employees and agents (the "Nektar Indemnified Parties"), harmless from any and all Losses arising or resulting from any Claims by a Third Party against any Nektar Indemnified Parties to the extent arising from (a) the gross negligence or willful misconduct of SFJ or any of its Affiliates or any of its or their respective Permitted Third Parties in performing SFJ's obligations under this Agreement; (b) SFJ's material breach of this Agreement; (c) any material breach of a Protocol by SFJ, or its Affiliate, or any of its or their respective Permitted Third Parties; except to the extent that any of the foregoing clauses (a) through (c) was caused by (i) the gross negligence or willful misconduct of any Nektar Indemnified Party, or (ii) material breach of this Agreement by Nektar.

11.1.2 By Nektar. Nektar will indemnify and hold SFJ, its Affiliates, SFJ's investors (including the Specified Investors) and their respective officers, directors, employees and agents (the "SFJ Indemnified Parties"), harmless from any and all Losses arising or resulting from any Claims by a Third Party against any SFJ Indemnified Parties to the extent arising from (a) a Product supplied by Nektar; (b) a physical injury or death of a Subject that is caused by the Subject's participation in the HNC Clinical Trials whether or not directly attributable to the Product; (c) Nektar's gross negligence or willful misconduct in performing its obligations under this Agreement; (d) Nektar's material breach of this Agreement (e) any material breach of a Protocol by Nektar, or its Affiliate, or of its or their respective Permitted Third Parties, (f) actual or alleged infringement of any Third Party's Intellectual Property by the Product or by either Party in performing its duties or obligations hereunder with respect to the Product; and

(g) injuries sustained by Subjects in connection with the HNC Clinical Trials or the Melanoma Clinical Trial, including Claims arising prior to the Effective Date based upon physical injury or death of a Subject in connection with the HNC Clinical Trials or the Melanoma Clinical Trial, or from the Commercialization of the Product; except to the extent that any of the foregoing (a) through (g) were caused by (i) the gross negligence or willful misconduct of any SFJ Indemnified Party, or (ii) material breach of this Agreement by, SFJ.

11.2 Indemnification Procedure.

11.2.1 Notice of Claim. A Party believing that it is entitled to indemnification under Section 11.1.1 or 11.1.2 (an "Indemnified Party") will give prompt written notice (each, an "Indemnification Claim Notice") to the other Party (the "Indemnifying Party") upon receipt of notice of the commencement of any Claim for which indemnification may be sought, or if earlier, upon the assertion of any such Claim by a Third Party (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a Claim of a Third Party as provided in this Section 11.2.1 will not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually prejudiced as a result of such failure to give notice). Each Indemnification Claim Notice will contain a description of the Claim and the nature and amount of the Loss (to the extent that the nature and amount of such Loss are known at such time). The Indemnified Party will furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any Losses.

11.2.2 Control of Defense. At its option, the Indemnifying Party may assume the defense of any Claim by giving written notice to the Indemnified Party within thirty (30) days after the Indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Claim by the Indemnifying Party will not be construed as an acknowledgment that the Indemnifying Party is liable to indemnify the Indemnified Party in respect of the Claim, nor will it constitute a waiver by the Indemnifying Party of any defenses it may assert against the Indemnified Party's claim for indemnification. Upon assuming the defense of a Claim, the Indemnifying Party may appoint as lead counsel in the defense of the Claim any legal counsel selected by the Indemnifying Party that is reasonably satisfactory to the Indemnified Party. In the event the Indemnifying Party assumes the defense of a Claim, the Indemnified Party will promptly deliver to the Indemnifying Party all original notices and documents (including court papers) received by the Indemnified Party in connection with the Claim. Should the Indemnifying Party assume the defense of a Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of such Claim.

11.2.3 Right to Participate in Defense. Without limiting Section 11.2.2, the Indemnified Party will be entitled to (a) participate in, but not control, the defense of such Claim and to engage counsel of its choice for such purpose; provided, however, that such engagement will be at the Indemnified Party's own expense unless the engagement thereof has been specifically authorized by the Indemnifying Party in writing, and (b) control its defense of such Claim and to engage counsel of its choice for such purpose, at the expense of the Indemnifying

Party, if the Indemnifying Party has failed to assume the defense and engage counsel in accordance with Section 11.2.2.

11.2.4 Settlement. With respect to any Losses related solely to payment of money damages in connection with a Claim and that includes a complete and unconditional release of the Indemnified Party, will not result in the Indemnified Party admitting liability, becoming subject to injunctive or other equitable relief that will otherwise adversely affect the business of the Indemnified Party in any manner, and as to which the Indemnifying Party will have acknowledged in writing the obligation to indemnify the Indemnified Party hereunder, the Indemnifying Party will have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the Indemnifying Party, in its sole discretion, will deem appropriate. With respect to all other Losses in connection with Claims, where the Indemnifying Party has assumed the defense of the Claim in accordance with Section 11.2.2, the Indemnifying Party will have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss provided it obtains the prior written consent of the Indemnified Party (which consent will not be unreasonably withheld, conditioned or delayed). The Indemnifying Party will not be liable for any settlement or other disposition of a Loss by the Indemnified Party that is reached without the written consent of the Indemnifying Party (which consent will not be unreasonably withheld, conditioned or delayed). Regardless of whether the Indemnifying Party chooses to defend or prosecute any Claim, the Indemnified Party will not admit any liability with respect to, or settle, compromise or discharge, any Claim without the prior written consent of the Indemnifying Party, not to be unreasonably withheld or delayed.

11.2.5 Cooperation. Regardless of whether the Indemnifying Party chooses to defend or prosecute any Claim, the Indemnified Party will reasonably cooperate in the defense or prosecution thereof and will furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation will include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Claim, and making employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the Indemnifying Party will reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

11.3 Insurance.

11.3.1 Generally. Commencing as of the Effective Date and thereafter during the Development Term, and subject to Section 11.3.2 below, each Party will carry and maintain, at its own expense, insurance coverage of the kind and with liability limits that, at a minimum, satisfy the requirements of Section 11.3.2, to protect itself and the other Party against any claims or liabilities that may arise from the conduct of the HNC Clinical Trials and all other rights and obligations hereunder with insurers with a minimum “A-VII” or better A.M. Best rating. Any deductibles for such insurance policies will be assumed by the insuring Party. Prior to the

Effective Date, and annually, at each anniversary of the Effective Date (unless, during such year, expiration of the applicable policy occurs first, in which case, on such expiration date), at a Party's written request the other Party will supply documentation of such insurance coverage via certificates of insurance, if applicable. Each Party shall endeavor to provide the other Party a minimum of thirty (30) days' notice of cancellation or non-renewal, 10 days for non-payment of premium prior written notice if it is unable to obtain appropriate insurance coverage or if its coverage is canceled, unable to be renewed or changed. For clarity, any insurance coverage or the failure to maintain adequate insurance coverage does not limit or reduce a Party's liability under this Agreement. Each Party will ensure that no subcontractor, including any Permitted Third Party, will continue to perform the work unless such subcontractor is insured as deemed appropriate by the Party engaging the Permitted Third Party.

11.3.2 Minimum Requirements. Commencing as of the start of the Clinical Trials and thereafter, during the Term (or longer if otherwise stated below), at a minimum, each Party will maintain the following types of insurance coverage at a minimum level that is the greater of (a) the highest minimum level required by Applicable Law in the countries in which the HNC Clinical Trials and other obligations hereunder are being performed or (b) the following (to the extent different).

11.3.2.1 Commercial General Liability: Commercial General Liability, [***] per occurrence; [***] aggregate, including Premises & Operations and Personal Injury.

11.3.2.2 Umbrella Excess Liability: [***] per occurrence.

11.3.2.3 Clinical Trials Liability: [***] per occurrence. Nektar will obtain such Clinical Trials Liability insurance on a global basis, and, if required, supplemented Clinical Trials Liability Insurance in the US, at its expense and SFJ will obtain supplemental Clinical Trials Liability insurance on a country specific basis as required by Applicable Law at its expense, which will be considered Development Costs. Coverage must be maintained for as long as required by Applicable Law in each country after release of the last Subject from the Clinical Trials or where there is no legal requirement at least three (3) years after the termination of this Agreement.

11.3.2.4 Professional Liability: For SFJ, any subcontractor, including any Permitted Third Party, who provides professional services to a Party for the Clinical Trials, will obtain Professional Liability Insurance in lieu of Clinical Trial Insurance, with a minimum limit of [***] per occurrence. Coverage must be maintained for at least three (3) years after the later of (a) expiration or early termination of this Agreement and (b) release of the last Subject from the HNC Clinical Trials.

11.3.3 Additional Insured. Each Party will include the other Party and its Affiliates as additional insured parties on such Party's Clinical Trial Liability insurance, as set forth in Section 11.3.2.3 for five (5) years after the later of termination of this Agreement or release of the last Subject from the Clinical Trials.

11.3.4 Product Liability Insurance. Nektar will be responsible for maintaining product liability insurance related to the Development and Commercialization of the Product at its expense with SFJ to be named as an additional insured party.

ARTICLE 12

REPRESENTATIONS AND WARRANTIES

12.1 Representations, Warranties and Covenants of Both Parties.

12.1.1 Each Party hereby represents and warrants that it has the requisite corporate power and authority to enter into this Agreement and that this Agreement constitutes a legal and valid obligation binding upon such Party, enforceable in accordance with its terms.

12.1.2 Each Party hereby represents and warrants that it is not a party to any agreement that would prevent it from fulfilling its obligations under this Agreement.

12.1.3 Each Party agrees, on behalf of itself and its Affiliates, that for the performance of its obligations hereunder, it shall (and shall use Commercially Reasonable Efforts to cause its Permitted Third Parties engaged in connection with the subject matter of this Agreement and its and their respective officers, directors, employees, agents, representatives and consultants ("Representatives") to):

12.1.3.1 comply with the Anti-Corruption Laws and shall not take any action that will, or would reasonably be expected to, cause the other Party or its Affiliates to be in violation of any Anti-Corruption Laws; and

12.1.3.2 promptly provide the other Party with written notice of the following events: (a) upon becoming aware of any breach or violation by such Party, its Affiliate or any of its or their respective Representatives of any representation, warranty or undertaking set forth in Section 12.1.3.1, or (b) upon receiving a formal notification that it is the target of a formal investigation by a Governmental Authority for a Material Anti-Corruption Law Violation or upon receipt of information from any of its Representatives connected with this Agreement that any of them is the target of a formal investigation by a governmental authority for a Material Anti-Corruption Law Violation.

12.1.4 Each Party represents that neither it, nor any of its Affiliates, nor to its Knowledge any Permitted Third Parties engaged by it to perform activities in relation to the Product as of the Effective Date is debarred, and each Party covenants that it shall use reasonable efforts to ensure that neither it, nor any of its Affiliates is debarred, in each case under subsections 306(a) or (b) of the US Federal Food, Drug, and Cosmetic Act (US Generic Drug Enforcement Act of 1992; 21 U.S.C. 335a (a) or (b)), and represents that it has not and covenants that it will not, in each case, to its Knowledge, use in any capacity the services of any Person or Permitted Third Party debarred under this law to conduct the HNC Clinical Trials. Each Party further represents that as of the Effective Date, neither it, nor any of its Affiliates are excluded from any federal health care program, including but not limited to Medicare and Medicaid. Each

Party will notify the JSC immediately if any of the representations contained in this Section 12.1.4 becomes untrue to such Party's Knowledge in any respect.

12.1.5 Each Party hereby represents and warrants that it is licensed, registered, or otherwise qualified in all material respects under all Applicable Laws to do business in each jurisdiction where such licenses, registrations or other qualifications are required. Each Party further covenants that it and its Permitted Third Parties have, or will have at the required times, such certifications, permits, and authorizations as are required to conduct the HNC Clinical Trials and perform any and all of their obligations in connection with the HNC Clinical Trials supervised by it.

12.2 Additional Nektar Representations, Warranties and Covenants.

12.2.1 Licensure, Registration and Accreditation. Nektar hereby represents and warrants that it is licensed, registered, or otherwise qualified in all material respects under all Applicable Laws to do business in each jurisdiction where such licenses, registrations or other qualifications are required. Nektar further represents and warrants that there has not been and covenants that there will not be during the Term any breach or default by Nektar under the BMS Strategic Collaboration Agreement or the Merck CTCSA which has not been or will not be, as applicable, timely cured as permitted thereunder, and that the BMS Strategic Collaboration Agreement and Merck CTCSA are and shall continue to be in full force and effect during the Term, except to the extent that such a breach, default or failure as to the BMS Strategic Collaboration Agreement or Merck CTCSA, as applicable, would not have a material adverse effect on Nektar's ability to satisfy its obligations under this Agreement.

12.2.2 [***].

12.2.3 CRO Inquiry. Nektar hereby represents and warrants that, up to and as at the Effective Date, after due inquiry to its CRO responsible for conducting the Clinical Trials, Nektar has not received any verbal or written notice of the occurrence of any Serious Safety Issue in the Clinical Trials.

12.2.4 Compliance. Nektar hereby represents and warrants that, prior to the Effective Date, (a) it has conducted all preclinical and clinical activities related to the development of the Product for the Indications in material compliance with Applicable Laws, and (b) to the Knowledge of Nektar, all Third Parties utilized by Nektar to perform any portion of the preclinical and clinical activities have conducted such portion of such preclinical activities in material compliance with Applicable Laws. Nektar will manufacture or contract with a Third Party to manufacture the Product for the Clinical Trials in accordance with GMP.

12.2.5 Intellectual Property. Nektar owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and processes necessary for the Development, manufacture and Commercialization of the Product without, to the Knowledge of Nektar, any known conflict with or known infringement of the rights of others. To the Knowledge of Nektar, the Development, manufacture and Commercialization of the Product by Nektar does not violate and will not

violate any license or infringes or will infringe any intellectual property rights of any Third Party. There are no pending or, to the Knowledge of Nektar, threatened claims or proceedings by any Person with respect to the ownership, validity or enforceability of the Nektar Intellectual Property. Except as set forth in Schedule 12.2.5, there are no outstanding options, licenses or agreements of any kind granted by Nektar relating to the Development, manufacture and Commercialization of the Product. Nektar has not received any written communications alleging that Nektar has violated or that the Development, manufacture and Commercialization of the Product would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets or other proprietary rights of any Third Party. To the Knowledge of Nektar, all issued Patents included in the Nektar Intellectual Property as of the Effective Date are valid and enforceable.

12.2.6 [***].

12.3 SFJ Representations, Warranty and Covenant.

12.3.1 SFJ hereby represents, warrants and covenants that it will have, as and when needed, sufficient funds to satisfy its obligations hereunder as they become due.

12.3.2 Licensure, Registration and Accreditation. SFJ hereby represents and warrants that it is licensed, registered, or otherwise qualified in all material respects under all Applicable Laws to do business in each jurisdiction where such licenses, registrations or other qualifications are required, except as would not reasonably be expected to have a material adverse effect on the Development or Commercialization of the Product.

12.4 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES.

12.4.1 Each Party hereby agrees and understands that because the Clinical Trials and the Product are experimental in nature, the outcome is inherently uncertain and unpredictable. Each Party hereby agrees and understands that the other Party makes no representation, guarantee or warranty, express or implied, regarding the outcome of the Clinical Trials (including achievement of the applicable Clinical Trial Success Criteria), any Research Results generated after the Effective Date, the ability to obtain Regulatory Approval or the patentability, legal protectability or usefulness of any Intellectual Property arising from the Clinical Trials.

12.4.2 EXCEPT AS OTHERWISE SET FORTH IN THIS ARTICLE 12, NEITHER PARTY MAKES, AND EACH PARTY EXPRESSLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, EITHER ORAL OR WRITTEN, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING ANY REPRESENTATION OR WARRANTY REGARDING THE USE, RESULTS OR EFFICACY OF THE PRODUCT.

ARTICLE 13

TERM AND TERMINATION

13.1 Term. The term of this Agreement (the "Term") will commence on the Effective Date and will expire upon the earliest of (i) termination of this Agreement in accordance with Section 13.2, (ii) the date of payment of the last Success Payment due based on all applicable Regulatory Approvals which have been received and (iii) the date of Development Termination, if any.

13.2 Termination.

13.2.1 Termination for Material Breach.

13.2.1.1 Material Breach.

(a) Either Party may terminate this Agreement immediately in the event of a material breach of this Agreement by the other Party (including, for the avoidance of doubt, a Success Payment Default) provided that the breaching Party has received written notice from the non-breaching Party of such breach, specifying in the reasonable detail the particulars of the alleged breach and such breach has not been cured [***] after the date of the relevant notice. For the avoidance of doubt, (i) it will not be a material breach by Nektar if Nektar elects not to file for Regulatory Approval in the event a Clinical Trial does not achieve its Clinical Trial Success Criteria, (ii) a material breach by Nektar under the BMS Agreement that materially and adversely impacts the completion of the Melanoma Clinical Trial or the submission of a filing for Regulatory Approval will be deemed to be a material breach of this Agreement by Nektar and (iii) a failure by Nektar to use Commercially Reasonable Efforts to enforce the BMS Agreement in the event of a material breach by BMS under the BMS Agreement that materially and adversely impacts the completion of the Melanoma Clinical Trial or the submission of a filing for Regulatory Approval will be deemed to be a material breach of this Agreement by Nektar. The non-breaching Party shall have the right to pursue remedies it may have at law or equity for such breach, including the right to seek damages from the breaching Party.

(b) In the event this Agreement is terminated pursuant to this Section 13.2.1 then Nektar may elect to continue development of the Product. If any Regulatory Approval or Other Indication Regulatory Approval is obtained following such termination, Nektar shall remain obligated to pay to SFJ any Success Payments that become due and payable pursuant to Article 6 at the time such payments become due and payable pursuant to Article 6 (if ever) (except to the extent of the amount of any Buy-Out Payment pursuant to Section 6.7) as a result of such Regulatory Approval or Other Indication Regulatory Approval, provided that such Success Payments (or Buy-Out Payment paid by Nektar, as applicable) shall be adjusted as set forth in Section 6.2.

13.2.1.2 Material Breach for Success Payment Default. SFJ may terminate this Agreement immediately in the event that Nektar fails to make any Success Payment on or before its due date (a "Success Payment Default"), provided that Nektar has received written notice from SFJ of such breach, specifying in the reasonable detail the particulars of the Success Payment Default and such Success Payment Default has not been

cured [***] after the date of the relevant notice. In the event that SFJ terminates this Agreement pursuant to this Section 13.2.1.2, Nektar shall pay SFJ, [***] following such termination, an amount equal to all remaining unpaid Success Payments arising from Regulatory Approvals or Other Indication Regulatory Approval that occurred prior to such termination, as adjusted pursuant to Section 6.2. Additionally, if Nektar obtains any Regulatory Approval or Other Indication Regulatory Approval following such termination, Nektar shall remain obligated to pay to SFJ all Success Payments arising from such Regulatory Approval or Other Indication Regulatory Approval in one lump sum payable within thirty (30) days of such Regulatory Approval or Other Indication Regulatory Approval (except to the extent of the amount of any Buy-Out Payment pursuant to Section 6.7), provided that each lump-sum Success Payment (or Buy-Out Payment paid by Nektar, as applicable) shall be adjusted as set forth in Section 6.2.

13.2.2 Termination for Failure to Achieve Clinical Trial Success Criteria.

13.2.2.1 SFJ may terminate this Agreement at any time upon written notice to Nektar in the event that any HNC Clinical Trial does not achieve its Clinical Trial Success Criteria. In the event of such termination by SFJ, or in the event of any termination pursuant to Section 13.2.5 due to a Safety Concern, then SFJ shall have a post-termination obligation to fund the wind down the HNC Clinical Trials (including, for the avoidance of doubt, any non-cancellable obligations, but excluding any costs associated with the continued conduct of the HNC Clinical Trials) and conduct operational wind-down of the HNC Clinical Trials in accordance with good clinical practice guidelines, provided that SFJ's aggregate post-termination monetary obligation to fund and conduct the operational wind-down of HNC Clinical Trials (which for the avoidance of doubt shall be deemed to be Development Costs paid by SFJ), together with all other Development Costs funded by SFJ prior to such termination, shall in no event exceed the Maximum Development Costs.

13.2.2.2 In the event this Agreement is terminated by SFJ pursuant to Section 13.2.2.1, then:

(a) Nektar may elect to continue development of the Product and obtain Regulatory Approval for the Melanoma Indication or the HNC Indication following such termination.

(b) If, within thirty (30) days following such termination Nektar notifies SFJ that it has elected not to continue development of the Product and obtain Regulatory Approval for the HNC Indication following such termination as contemplated by clause (i) of Section 13.2.2.2(a) (a "Development Termination"), SFJ shall have a post-termination obligation to fund the wind down the HNC Clinical Trials (including, for the avoidance of doubt, any non-cancellable obligations but excluding any costs associated with continued conduct of the HNC Clinical Trials) and conduct operational wind-down of the HNC Clinical Trials in accordance with good clinical practice guidelines, provided that SFJ's aggregate post-termination monetary obligation to fund and conduct the operational wind-down of HNC Clinical Trials (which for the avoidance of doubt shall be deemed to be Development Costs paid by SFJ), together with all other Development Costs funded by SFJ prior to such termination, shall in no event exceed the Maximum Development Costs.

13.2.3 Termination for Failure to Receive Regulatory Approval.

13.2.3.1 This Agreement will, upon written notice from either Party to the other Party, terminate with no further action from either Party if the Product has not received Regulatory Approval from the FDA for any of the Indications after completion of the Clinical Trials, submission by Nektar or BMS, as applicable, of applications for Regulatory Approvals to the FDA, and after Commercially Reasonable Efforts by Nektar to obtain such Regulatory Approvals based on such submitted applications as may be amended from time to time. For the avoidance of doubt, if Regulatory Approval for any Indication or any Other Indication is received from the FDA, then his Agreement may not thereafter be terminated pursuant to this Section 13.2.3.1.

13.2.3.2 This Agreement will, upon written notice from either Party to the other Party, terminate with no further action from either Party, if each of the Clinical Trials is completed or terminated and, with respect to each Clinical Trial, (a) a primary endpoint in such Clinical Trial sufficient for regulatory filing in the U.S. for either full Regulatory Approval or Accelerated Regulatory Approval is not achieved and (b) SFJ reasonably determines that the Research Results of such Clinical Trial do not support Regulatory Approval. For avoidance of doubt, if an application for Regulatory Approval is submitted for any of the Indications or any Other Indication, then this Agreement may not thereafter be terminated pursuant to this Section 13.2.3.2. In the event of any such termination related to the Melanoma Clinical Trial, if (i) the HNC Clinical Trial has been completed but the HNC Clinical Trial Success Criteria was not achieved or (ii) HNC Clinical Trial Futility has occurred, then SFJ shall have a post-termination obligation to fund the wind down the HNC Clinical Trials (including, for the avoidance of doubt, any non-cancellable obligations, but excluding any costs associated with the continued conduct of the HNC Clinical Trials) and conduct operational wind-down of the HNC Clinical Trials in accordance with good clinical practice guidelines, provided that SFJ's aggregate post-termination monetary obligation to fund and conduct the operational wind-down of HNC Clinical Trials (which for the avoidance of doubt shall be deemed to be Development Costs paid by SFJ), together with all other Development Costs funded by SFJ prior to such termination, shall in no event exceed the Maximum Development Costs.

13.2.3.3 In the event that this Agreement is terminated pursuant to this Section 13.2.3, then, if Nektar elects to continue development of the Product for any Indication or Other Indication, obtains any Regulatory Approval or Other Indication Regulatory Approval following such termination, and the Trial Data Package, Research Results or the Melanoma Clinical Trial Research Results are utilized to demonstrate the efficacy of the Product in support of such Regulatory Approval or Other Indication Regulatory Approval, Nektar shall remain obligated to make any Success Payments that become due and payable pursuant to Article 6 at such time that such payments become due and payable (if ever) pursuant to Article 6 as a result of such Regulatory Approval or Other Indication Regulatory Approval (except to the extent of the amount of any Buy-Out Payment paid by Nektar pursuant to Section 6.7), provided that such Success Payments (or Buy-Out Payment, as applicable) shall be adjusted as set forth in Section 6.2.

13.2.4 Termination for Bankruptcy. Either Party may terminate this Agreement upon written notice to the other Party if the other Party makes an assignment for the benefit of creditors, or commences a case or proceeding under any bankruptcy, reorganization, insolvency, or similar laws, has a trustee or receiver or similar officer of any court appointed for such Party, or for substantial part of the property of such Party, or bankruptcy, reorganization, insolvency, or liquidation proceedings are instituted by or against such Party without such proceedings being dismissed, in each of the foregoing cases for a period of at least [***].

13.2.4.1 In the event SFJ terminates this Agreement pursuant to this Section 13.2.4 at any time prior to the First Regulatory Approval, then Nektar will pay SFJ within sixty (60) days of the date of termination an amount equal to one hundred percent (100%) of Development Costs paid or incurred by SFJ prior to such termination.

13.2.4.2 In the event SFJ terminates this Agreement pursuant to this Section 13.2.4 at any time on or after the First Regulatory Approval and prior to the Second Regulatory Approval, then (a) Nektar will pay SFJ within sixty (60) days of the date of termination an amount equal to all remaining unpaid Schedule A Success Payments (as adjusted pursuant to Section 6.2) plus (b) the amount, if any, by which one hundred percent (100%) of Development Costs paid or incurred by SFJ prior to such termination exceeds the amount set forth in clause (a).

13.2.4.3 In the event SFJ terminates this Agreement pursuant to this Section 13.2.4 at any time on or after the Second Regulatory Approval, then Nektar will pay SFJ within sixty (60) days of the date of termination an amount equal to all remaining unpaid Schedule A Success Payments and all remaining Schedule B Success Payments (in each case as adjusted pursuant to Section 6.2).

13.2.5 Termination for Safety Concerns. Either Party may terminate this Agreement upon written notice to the other Party if (a)(i) the IDMC recommends termination of the HNC Clinical Trial for reasons pertaining to the health or safety of the Subjects or as a result of HNC Clinical Trial Futility and (ii) Nektar in good faith reasonably believes there to be a basis for termination of the HNC Clinical Trial based upon such IDMC recommendation for reasons pertaining to the health or safety of the Subjects or for HNC Clinical Trial Futility, or (b) the Parties mutually agree a material health or safety concern with respect to the Subjects of the HNC Clinical Trial exists (either (a) or (b) being a "Safety Concern"). In the event that this Agreement terminates pursuant to this Section 13.2.5 due to a Safety Concern, then Nektar will not be obligated to pay SFJ any Success Payments arising from an HNC Regulatory Approval or reimburse SFJ for any Development Costs incurred by SFJ in connection with the HNC Clinical Trials (provided, that for the avoidance of doubt, Nektar will remain obligated to pay SFJ for any Success Payments arising from a Melanoma Regulatory Approval or an Other Regulatory Approval, regardless of whether such Melanoma Regulatory Approval or Other Regulatory Approval occurs before or after such termination of this Agreement). Notwithstanding the foregoing, if this Agreement terminates pursuant to this Section 13.2.5: (A) if (i) such termination was due to a Safety Concern that was Known by Nektar as being material as of the Effective Date, (ii) the material data Known to Nektar as of the Effective Date that show,

demonstrate, or identify such material Safety Concern were not included in the Data Room, disclosed in writing to SFJ or otherwise publicly known prior to the Effective Date and (iii) SFJ was not otherwise aware of such Safety Concern as of the Effective Date, then Nektar will pay SFJ within sixty (60) days of the date of termination an amount equal to three hundred percent (300%) of Development Costs paid or incurred by SFJ through the date of termination, with all Success Payments previously made to SFJ to be credited against such termination payment, and (B) if following such termination Nektar elects to continue development of the Product pursuant to the HNC Clinical Trials and obtains HNC Regulatory Approval, Nektar will remain obligated to pay any Success Payments that become due and payable pursuant to Article 6 at such time as such Success Payments become due and payable (if ever) pursuant to Article 6 as a result of such Regulatory Approval or Other Indication Regulatory Approval (except to the extent of the amount of any Buy-Out Payment paid by Nektar pursuant to Section 6.7), provided that such Success Payments (or Buy-Out Payment, as applicable) shall be adjusted as set forth in Section 6.2 and shall be reduced by the amount previously paid by Nektar to SFJ pursuant to this Section 13.2.5.

13.2.6 Termination for Certain Breaches/Actions.

13.2.6.1 SFJ may terminate this Agreement if (a) Nektar has breached by its own actions, or by the actions of any of its Representatives, either of Section 12.1.3 or Section 12.1.4 in any material respect, (b) a Representative of Nektar has breached the policy attached as Exhibit F1 in any material respect and such breach results in a Material Anti-Corruption Law Violation, or (c) (i) Nektar or any of its Representatives on behalf of Nektar makes improper payments to Government Officials or any other person by or (ii) Nektar or any of its Representatives with respect to services performed on behalf of Nektar accepts any payment, item, or benefit, regardless of value, as an improper inducement to award, obtain or retain business or otherwise gain or grant an improper business advantage from or to any other person or entity, in each case of (i) or (ii) that constitutes a Material Anti-Corruption Law Violation (in any such case ((a), (b) or (c)), a "Nektar Compliance Breach"), unless such Nektar Compliance Breach can be cured without materially delaying or reducing the probability of completing the Clinical Trials or achieving Regulatory Approval of any of the Indications. In the event of such termination, Nektar will not be entitled to any further payments under Article 4, regardless of any activities undertaken or agreements with additional Third Parties entered into prior to termination. In the event that SFJ terminates this Agreement pursuant to this Section 13.2.6.1, then (a) Nektar will pay SFJ, within sixty (60) days of the date of termination, an amount equal to one hundred fifty percent (150%) of Development Costs paid or incurred to Nektar by SFJ prior to such termination and (b) if Nektar elects to continue development of the Product and obtains any Regulatory Approval or Other Indication Regulatory Approval following such termination, Nektar shall remain obligated to pay to SFJ any Success Payments that become due and payable pursuant to Article 6 at such time that such payments become due and payable (if ever) pursuant to Article 6 as a result of such Regulatory Approval or Other Indication Regulatory Approval (except to the extent of the amount of any Buy-Out Payment paid by Nektar pursuant to Section 6.7), provided that such Success Payments (or Buy-Out Payment, as applicable) shall be adjusted as set forth in Section 6.2, and reduced by the amount previously paid by Nektar to SFJ pursuant to this Section 13.2.6.1.

13.2.6.2 Nektar may terminate this Agreement if (a) SFJ has breached by its own actions, or by the actions of any of its Representatives, either of Section 12.1.3 or Section 12.1.4 in any material respect, (b) a Representative of SFJ has breached the policy attached as Exhibit F2 in any material respect and such breach results in a Material Anti-Corruption Law Violation, or (c) (i) SFJ or any of its Representatives on behalf of SFJ makes improper payments to Government Officials or any other person or (ii) SFJ or any of its Representatives with respect to services performed on behalf of SFJ accepts any payment, item, or benefit, regardless of value, as an improper inducement to award, obtain or retain business or otherwise gain or grant an improper business advantage from or to any other person or entity, in each case of (i) or (ii) that constitutes a Material Anti-Corruption Law Violation (in any such case ((a), (b) or (c)), an "SFJ Compliance Breach"), unless such SFJ Compliance Breach can be cured without materially delaying or reducing the probability of completing the Clinical Trials or achieving Regulatory Approval of any of the Indications. In the event of such termination, SFJ will not be entitled to any further payments hereunder except as set forth below. In the event that Nektar terminates this Agreement pursuant to this Section 13.2.6.2, then Nektar shall pay to SFJ an amount equal to the 100% of the Development Costs paid or incurred by SFJ as of the date of such termination, less the amount of all documented out-of-pocket expenses incurred by or on behalf of Nektar as a result or arising out of such violation by SFJ or any of its Representatives (including any and all amounts paid by Nektar as penalties or fines for such violation, in settlement of legal or administrative proceedings relating to such violation, or otherwise).

13.2.6.3 If a Party learns that any of its Permitted Third Parties has materially breached Section 12.1.3 or Section 12.1.4, or Exhibit F1 or Exhibit F2, as applicable, or that improper payments are being or have been made to Government Officials by any of its Permitted Third Parties with respect to services performed on behalf of such Party or in connection with the Clinical Trials, such Party will notify the other Party and, at the other Party's option, such Party will terminate its relationship with such Permitted Third Party with respect to the Clinical Trials.

13.2.7 Termination Because of Adverse Patent Impact. SFJ may terminate this Agreement if (a) Nektar is prevented, by final and non-appealable judgment of a court of competent jurisdiction, from further developing or commercializing the Product for any of the Indications, (b) the future value of the Product would likely be materially adversely affected due to (i) a final and non-appealable judgment of a court of competent jurisdiction that Third Party patents that were not publicly disclosed or known to SFJ at the Effective Date are infringed by the manufacture, use, sale, offer for sale or import of the Product for any of the Indications (an "Adverse Patent Impact"), (c) SFJ provides written notice to Nektar of such Adverse Patent Impact and (d) Nektar does not cure such Adverse Patent Impact within [***] from the date of SFJ's notice to Nektar of an Adverse Patent Impact. In the event that SFJ terminates this Agreement pursuant to this Section 13.2.7, then Nektar shall pay to SFJ, within sixty (60) days of the date of termination, an amount equal to all Development Costs paid or incurred by SFJ as of the date of termination.

13.2.8 Termination for JSC Decision. SFJ may, in its sole discretion, terminate this Agreement in its entirety at any time prior to the date of receipt of the first Regulatory

Approval for any Indication or Other Indication in the event (a) Nektar exercises its decision-making authority under Section 5.2.4 to approve a matter set forth in Section 5.2.2 and, after escalation to the Executive Officers in accordance with Section 5.2.4, SFJ continues in good faith to disagree with such decision and such decision would materially delay or reduce the probability of achieving Regulatory Approval of any of the Indications. In the event that SFJ terminates this Agreement pursuant to this Section 13.2.8, then Nektar will pay to SFJ, within sixty (60) days of the date of termination, an amount equal to the 100% of the Development Costs paid or incurred by SFJ as of the date of such termination plus interest at the annual rate of twenty-five percent (25%) from the date such Development Costs were paid or incurred by SFJ.

13.3 Certain Additional Consequences of Termination. In the event of any termination of this Agreement pursuant to Section 13.2, then:

13.3.1 effective as of such termination, SFJ shall, and it hereby does, assign to Nektar all of SFJ's and its Affiliates' right, title and interest in and to all Product Filings, if any, then owned or Controlled by SFJ or any of its Affiliates; *provided* that if any such Product Filing is not immediately transferable in a country, SFJ shall provide Nektar with all benefit of such Product Filing and such assistance and cooperation as necessary or reasonably requested by Nektar to timely transfer such Product Filing to Nektar or its designee or, at Nektar's option, to enable Nektar to obtain a substitute for such Product Filing without disruption to Nektar's development or Commercialization of the Product in such country;

13.3.2 within thirty (30) days after assignment of the Product Filings, if any, pursuant to Section 13.3.1, SFJ shall deliver to Nektar: (a) true, correct and complete copies of all Product Filings in such country (in each case, whether held in the name of SFJ or any of its Affiliates), and disclose to Nektar in writing all previously-undisclosed Research Results within the Trial Data Package; (b) formally transfer or assign, or cause to be formally transferred or assigned, into the name of Nektar or its designee all Product Filings in such country (in each case, whether held in the name of SFJ or any of its Affiliates); and (c) take such other actions and execute such other instruments, assignments and documents as may be necessary to effect, evidence, register and record the transfer, assignment or other conveyance of such rights to Nektar or its designee;

13.3.3 at Nektar's written request and election in Nektar's sole discretion, SFJ shall and hereby does, and shall cause its Affiliates to either: (i) wind down in accordance with Applicable Law and observing applicable ethical and regulatory guidelines any or all Clinical Trials being conducted by or on behalf of SFJ or its Affiliate as of the effective date of termination, at SFJ's cost and expense (which for the avoidance of doubt shall be deemed to be Development Costs paid by SFJ); or (ii) (x) transfer control to Nektar of any or all Clinical Trials being conducted by or on behalf of SFJ or its Affiliate as of the effective date of termination and (y) continue to conduct such Clinical Trials being conducted by or on behalf of SFJ or an Affiliate as of the effective date of termination for up to six (6) months to enable such transfer to be completed without interruption of any such Clinical Trial, in each case ((x) and (y)), at Nektar's cost and expense; and

13.3.4 SFJ shall, and shall cause its Affiliates to, promptly assign to Nektar or its designee any and all Clinical Trial Agreements, CRO Agreements and other Vendor Agreements to which any of them is a party and cooperate in good faith with Nektar to provide appropriate notice and new contact information to the applicable Sites, Clinical Investigators, CROs and other Vendors and Nektar shall accept such assignment of all obligations of SFJ and its Affiliates thereunder without recourse to SFJ other than any indemnification obligations which SFJ may be liable for thereunder.

13.4 Surviving Obligations.

13.4.1 Accrued Rights and Obligations. Except as expressly set forth in Section 13.4.2, expiration or termination of this Agreement for any reason will not release either Party from any obligation or liability which, at the time of such expiration or termination, has already accrued to the other Party or which is attributable to a period prior to such expiration or termination.

13.4.2 Exclusive Remedy. Notwithstanding anything herein to the contrary, termination of this Agreement by a Party will be without prejudice to other remedies such Party may have at law or equity; provided that the payment by Nektar to SFJ of the amounts specified as being payable upon a given termination in Section 13.2 shall be in lieu of any claim for damages that SFJ may have arising out of or in connection with the circumstances that formed the basis for such termination..

13.4.3 Surviving Obligations. The following provisions of this Agreement, together with any other provisions that expressly specify that they survive, will survive expiration or earlier termination of this Agreement:

13.4.3.1 Article 1, Article 8, Article 9, Article 10, Article 11, Section 12.1, Section 12.4, Section 13.4 and Article 14; and

13.4.3.2 in addition, solely in the case of termination of this Agreement after payment by SFJ to Nektar, or incurrence by SFJ, of any Development Costs, but not in the case of expiration of this Agreement, Sections 6.1–6.7, 7.1–7.2 (in the case of such Sections 7.1–7.2, such provisions shall terminate only after all Nektar Obligations, other than contingent indemnity obligations, have been paid to SFJ or otherwise satisfied in accordance with this Agreement in full), 13.2 and 13.3.

ARTICLE 14

MISCELLANEOUS

14.1 Relationship with Affiliates. Each Party will be responsible for any breach by its Affiliates of its obligations in connection with this Agreement, and each such Party will remain responsible for any responsibilities that it has delegated to an Affiliate as though such Party had performed (or failed to perform) such responsibilities itself.

14.2 Prior Agreements. The Parties agree on behalf of themselves and their respective Affiliates that any prior Confidentiality Agreement, by and between Nektar and SFJ (the "Prior CDA") is hereby terminated and superseded by this Agreement and that all Information disclosed under or pursuant to the Prior CDAs will constitute Confidential Information disclosed pursuant to this Agreement and will be subject to the terms of Article 9, with the confidentiality and non-use provisions of Article 9 applying retroactively to such Confidential Information from the date of disclosure.

14.3 Notices. Any notice or other communication required or permitted to be given by either Party under this Agreement will be in writing and will be effective when delivered if delivered by hand, reputable courier service, or five (5) days after mailing if mailed by registered or certified mail, postage prepaid and return receipt requested, addressed to the other Party at the following addresses or such other address as may be designated by notice pursuant to this Section 14.3:

14.3.1 If to Nektar:

Nektar Therapeutics
455 Mission Bay Boulevard South, Suite 100
South San Francisco, CA 94157
USA
Attn: Chief Executive Officer

with a copy to:

Nektar Therapeutics
455 Mission Bay Boulevard South, Suite 100
South San Francisco, CA 94157
USA
Attn: General Counsel

with another copy, which shall not constitute notice, to:

Goodwin Procter LLP

601 Marshall Street
Redwood City, CA 94063
Attn: Shane Albright

14.3.2 If to SFJ:

SFJ Pharmaceuticals XII, L.P.
c/o SFJ Pharmaceuticals XII GP LLC
SIX, 2nd Floor, Cricket Square
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands
Attn: Robert DeBenedetto

with a copy to:

Morrison & Foerster LLP
755 Page Mill Road
Palo Alto, CA 94304-1018
Attn: Michael O'Donnell

14.4 Force Majeure. Neither Party will be liable for any breach or delay in performance of any obligation under this Agreement to the extent caused by any of the following: war, terrorism, riot, fire, explosion, pandemic, government prescribed shut-downs, accident, flood, sabotage, changes in Applicable Laws, actions of Governmental Authorities, or any other event beyond the reasonable control of such Party. The Party invoking this Section 14.4 must provide prompt written notice and full particulars of such event to the other Party and will use diligent and commercially reasonable efforts to mitigate the effects of any such force majeure event on such Party's compliance with and performance under this Agreement.

14.5 Use of Names. Neither Party will use the other Party's nor any of its Affiliates' (and, in the case of SFJ and its Affiliates, their respective investors including the Specified Investors) names or trademarks in any promotional materials or advertising without the prior written consent of the other Party except as otherwise expressly permitted in this Agreement.

14.6 Assignment. Without the prior written consent of the other Party hereto, neither Party will sell, transfer, assign, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; provided, however, that either Party may assign, sublicense or transfer this Agreement and all of its rights and obligations hereunder, in their entirety, to any of its Affiliates or to a successor in connection with the sale or other transfer of all or substantially all of its business or assets to which this Agreement relates, whether by merger, sale of stock, sale of assets or otherwise, and whether this Agreement is actually assigned or is assumed by a Third Party acquirer or the surviving corporation resulting from such transaction by operation of law (e.g., in the context of a reverse triangular merger). Notwithstanding the foregoing, any assignment of the rights or obligations under this Agreement by a Party (i) to an Affiliate shall require such Party to guarantee the performance of such Affiliate's financial and performance obligations hereunder or (ii) in connection with the sale or other transfer of all or substantially all

of such Party's business or assets to which this Agreement relates shall require the ultimate Affiliate controlling the other party in such transaction to guarantee such Party's financial and performance obligations hereunder and such Party shall remain liable for such financial and performance obligations notwithstanding such sale or other transfer of all or substantially all of such Party's business or assets to which this Agreement relates. Furthermore, notwithstanding any of the foregoing, SFJ may assign its right to receive Success Payments to (a) the limited partners of SFJ or its parent entities, provided that such limited partners notify Nektar of a single account to which Nektar can make all payments that may become due hereunder and assume sole responsibility for distributing all such payments, or to a liquidating trust or similar entity that is established to receive and distribute Success Payments for the benefit of the limited partners in SFJ, that is required to carry out such responsibilities as a single entity, (and in any case under this clause (a), Nektar shall have the unconditional right to follow any instruction it receives or rely on any actions, consents and communications received from or taken by such limited partners or liquidating trust or similar entity without any duty to verify or otherwise determine the validity thereof), (b) an other Third Party to which SFJ assigns this Agreement in its entirety, as permitted by the preceding provisions of this Section 14.6, or (c) an other Third Party to which SFJ sells, assigns or pledges some or all of the Success Payments as permitted by Section 6.7.3. This Agreement is binding upon and will inure to the benefit of each of the Parties, its successors and permitted assigns.

14.7 Further Assurances. The Parties will execute such further reasonable documents and perform such further reasonable acts as may be necessary to comply with or more fully effectuate the terms of this Agreement.

14.8 Fees and Expenses. Each Party to this Agreement will bear its own costs and expenses, including attorneys' fees and expenses, in connection with the closing of the transactions contemplated hereby.

14.9 Governing Law. The construction and validity of this Agreement and the provisions hereof, and the rights and obligations of the Parties hereunder, will be governed by the internal laws of the State of New York, USA, and, to the extent applicable to Intellectual Property, the applicable federal laws of the US, in each instance without regard to conflict of laws principles.

14.10 Dispute Resolution. The Parties recognize that disputes as to certain matters relating to this Agreement may arise from time to time. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes in an expedient manner by mutual cooperation and without resort to litigation. Accordingly, the Parties agree that any dispute, controversy or claim arising under, out of or in connection with this Agreement, including any subsequent amendments, or the validity, enforceability, construction, performance or breach hereof (and including the applicability of this Section 14.10 to any such dispute, controversy or claim) (each a "Dispute") shall be resolved as follows:

14.10.1 Either Party shall have the right to refer such Dispute to the Executive Officers for attempted resolution by good faith negotiations for a period of [***]. Any final decision mutually agreed to by the Executive Officers in writing shall be conclusive and binding

on the Parties. With respect to any Dispute that remains unresolved after the expiration of [***] after a Dispute is notified to the Executive Officers, then such Dispute be submitted to the American Arbitration Association ("AAA") for final and binding arbitration pursuant as set forth in Section 14.10.2 in accordance with its Commercial Arbitration Rules then in force. Notwithstanding the foregoing, no matters relating to breach or alleged breach of the ownership of intellectual property or rights in intellectual property or the validity or enforceability thereof shall be resolved by arbitration, but rather shall be determined by a U.S. federal court of appropriate jurisdiction. Notwithstanding anything in this Agreement to the contrary, either Party shall be entitled to seek preliminary injunctive relief in any court of competent jurisdiction immediately if necessary to prevent irreparable harm to that Party.

14.10.2 Arbitration Process.

14.10.2.1 Either Party shall have the right to initiate arbitration at any time after the expiration of [***] after a Dispute is notified to the Executive Officers. Questions of jurisdiction and arbitration shall be finally settled by the arbitral tribunal.

14.10.2.2 The seat, or legal place, of arbitration shall be New York, New York, and the language of the arbitration shall be English. References herein to any arbitration rules or procedures mean such rules or procedures as amended from time to time, including any successor rules or procedures, and references herein to the AAA include any successor thereto. The arbitration shall be before a tribunal comprised of three (3) arbitrators. Each Party shall select one arbitrator and within fifteen (15) days of the second arbitrator's appointment, the two (2) Party-appointed arbitrators shall select the third, who shall serve as the tribunal's chair or president. Any arbitrator(s) not timely selected shall by selected by the AAA. All three (3) arbitrators shall be professionals with substantial experience in development and Commercialization of biopharmaceutical products and related legal principles. An arbitrator shall be deemed to meet these qualifications unless a Party objects within fifteen (15) days after the arbitrator is appointed. The Parties acknowledge that this Agreement evidence a transaction involving interstate commerce. Notwithstanding the provision in Section 14.9 with respect to the applicable substantive law, this arbitration provision, and the arbitration itself, shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 *et. seq*.

14.10.2.3 Consistent with the expedited nature of arbitration, each Party will, upon the written request of the other Party, promptly provide the other with copies of documents on which the producing Party may rely in support of or in opposition to any claim or defense. There shall be no right to depositions of witnesses unless the arbitrators find good cause to conclude that such additional discovery is necessary, in which case each Party shall be entitled to take up to a maximum of three (3) depositions, which shall be held within forty-five (45) days after such finding of good cause. Additional depositions may be scheduled only with the permission of the arbitrators, and for good cause shown. Each deposition shall be limited to a maximum of one (1) day's duration. The arbitrators shall also have the discretion to allow requests for production of documents, upon a showing of good cause. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or Confidential Information. The Parties shall not utilize any other discovery mechanisms,

including international processes, U.S. federal statutes and third party discovery, to obtain additional evidence for use in the arbitration. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive. All discovery shall be completed within sixty (60) days following the appointment of the arbitrators. The arbitrators will conduct any evidentiary hearing or final hearing on the merits within one hundred twenty (120) days of confirmation of the Panel, and shall issue a reasoned decision within forty-five (45) days of the conclusion of the evidentiary hearing or final hearing on the merits..

14.10.2.4 The arbitrators shall have no authority to award punitive, enhanced, multiple or other damages not measured by the prevailing Party's actual damages, except as may be required by statute. Each Party expressly waives and foregoes any right to consequential, punitive, special, exemplary or similar damages or lost profits, and the arbitrators will have no authority to award the same. The arbitrators shall have no power or authority, under the AAA's Commercial Arbitration Rules and procedures or otherwise, to relieve the Parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this Agreement. The cost of the arbitration, including the fees of the arbitrators and reasonable attorneys' fees of the prevailing Party, shall be borne by the Party the arbitrator determines has not prevailed in the arbitration.

14.10.2.5 If an arbitral award does not impose an injunction on the losing Party or contain a money damages award in excess of five million dollars ($5,000,000), then the arbitral award shall be final and binding and shall only be subject to such challenges as would otherwise be permissible under the Federal Arbitration Act, 9 U.S.C. § 1 *et. seq*. Judgment on such an award may be entered in any court of competent jurisdiction and the Parties undertake to carry out the award without delay. In the event that an arbitral award imposes an injunction or contains a monetary award in excess of five million dollars ($5,000,000), the Parties agree that such award may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules") and should not be considered to be final and binding until after the time for filing the notice of appeal under the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of the award, as defined by the Appellate Rules, by filing a Notice of Appeal within any AAA office. Following the appeal process, the decision rendered by the appeal tribunal shall be final and binding and judgment on that award may be entered in any court of competent jurisdiction and the Parties undertake to carry out the award without delay.

14.10.2.6 Except as may be required by law, or to protect or pursue a legal right to enforce or challenge an award in legal proceedings, where needed for the preparation or presentation of a claim or defense in this arbitration, or by order of the arbitral tribunal upon application of a Party, neither a Party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both Parties.

14.11 Limitation of Liability. TO THE MAXIMUM EXTENT PERMITTED BY LAW AND NOTWITHSTANDING ANY PROVISION IN THIS AGREEMENT TO THE CONTRARY, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY

INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, RELIANCE OR PUNITIVE DAMAGES OR LOST OR IMPUTED PROFITS OR ROYALTIES OR COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, WHETHER LIABILITY IS ASSERTED IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT PRODUCTS LIABILITY), INDEMNITY OR CONTRIBUTION, AND IRRESPECTIVE OF WHETHER THAT PARTY OR ANY REPRESENTATIVE OF THAT PARTY HAS BEEN ADVISED OF, OR OTHERWISE MIGHT HAVE ANTICIPATED THE POSSIBILITY OF, ANY SUCH LOSS OR DAMAGE. THE PARTIES AGREE THAT THE LIMITATIONS SPECIFIED IN THIS SECTION 14.11 WILL APPLY EVEN IF ANY LIMITED REMEDY SPECIFIED IN THIS AGREEMENT IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, "CONSEQUENTIAL DAMAGES" WILL BE DEEMED TO INCLUDE, AND NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY OR ANY OF SUCH OTHER PARTY'S AFFILIATES, REPRESENTATIVES OR STOCKHOLDERS FOR ANY DAMAGES BASED ON OR MEASURED BY LOSS OF PROJECTED OR SPECULATIVE FUTURE SALES OF THE PRODUCT, ANY PAYMENT DUE UPON ANY UNACHIEVED EVENT UNDER ARTICLE 6, OR ANY OTHER UNEARNED, SPECULATIVE OR OTHERWISE CONTINGENT PAYMENTS PROVIDED FOR IN THIS AGREEMENT. FOR THE AVOIDANCE OF DOUBT, THIS SECTION 14.11 IS NOT MEANT TO LIMIT NEKTAR'S OBLIGATION TO PAY SFJ THE AMOUNTS SET FORTH IN ARTICLE 6 OR SECTION 14.2.

14.12 Covenant Not to Sue. Nektar shall not, and shall cause its Affiliates to not, commence or pursue, or aid any other Person in any action, claim, or other legal proceeding (whether in contract, tort, or otherwise) against the Specified Investors with respect to the transactions contemplated by this Agreement.

14.13 Cumulative Remedies. Unless expressly set forth in this Agreement, all rights and remedies of the Parties, including all rights to payment, rights of termination, rights to injunctive relief, and other rights provided under this Agreement, will be cumulative and in addition to all other remedies provided for in this Agreement, in law, and in equity.

14.14 Relationship of the Parties.

14.14.1 Independent Contractors. Nothing contained herein will be deemed to create a partnership, joint venture, or similar relationship between the Parties, including for tax purposes. Neither Party is the agent, employee, joint venturer, partner, franchisee, or representative of the other Party. Each Party specifically acknowledges that it does not have the authority to, and will not, incur any obligations or responsibilities on behalf of the other Party. Notwithstanding anything to the contrary in this Agreement, each Party (and its officers, directors, agents, employees, and members) will not hold themselves out as employees, agents, representatives, or franchisees of the other Party or enter into any agreements on such Party's behalf.

14.14.2 Direction. Neither Party will be subject to the supervisory direction of the other Party in regard to the conduct of the Clinical Trials.

14.15 No Third Party Beneficiaries. This Agreement and the provisions herein are for the benefit of the Parties only, and are not intended to confer any rights or benefits to any Third Party other than the Specified Investors and their successors and assigns, which are express third party beneficiaries of Sections 9.2, 9.6, 11.1.2, 14.5 and 14.12 hereunder.

14.16 Rights Reserved. No license or any other right is granted to either Party, by implication or otherwise, except as specifically set forth in this Agreement. All rights not exclusively granted to SFJ are reserved to Nektar and its Affiliates. Notwithstanding any other provision of this Agreement to the contrary, and for clarity, no Intellectual Property or other proprietary rights Controlled by Nektar or its Affiliates will be assigned or licensed to SFJ in connection with this Agreement.

14.17 Nonsolicitation. During the Term and for a period of twelve (12) months thereafter, neither Party shall solicit an employee of the other Party who is or has been involved in the performance or oversight of any of the development activities hereunder to terminate his or her employment and accept employment or work as a consultant with the soliciting Party. Notwithstanding the foregoing, nothing herein shall restrict or preclude the Parties' right to make generalized searches for employees by way of a general solicitation for employment placed in a trade journal, newspaper or website.

14.18 Amendments; No Waiver. Unless otherwise specified herein, no amendment, supplement, or modification of this Agreement will be binding on either Party unless it is in writing and signed by both Parties. No delay or failure on the part of a Party in the exercise of any right under this Agreement or available at law or equity will be construed as a waiver of such right, nor will any single or partial exercise thereof preclude any other exercise thereof. All waivers must be in writing and signed by the Party against whom the waiver is to be effective. Any such waiver will constitute a waiver only with respect to the specific matter described in such writing and will in no way impair the rights of the Party granting such waiver in any other respect or at any other time.

14.19 Severability. If any provision (or portion thereof) of this Agreement is determined by a court or arbitration to be unenforceable as drafted by virtue of the scope, duration, extent, or character of any obligation contained herein, it is the Parties' intention that such provision (or portion thereof) will be construed in a manner designed to effectuate the purposes of such provision to the maximum extent enforceable under such Applicable Law. The Parties will enter into whatever amendment to this Agreement as may be necessary to effectuate such purposes.

14.20 Entire Agreement. This Agreement, including all Exhibits hereto and the Disclosure Letter, contains the entire understanding of the Parties and supersedes, revokes, terminates, and cancels any and all other arrangements, understandings, agreements, term sheets, or representations and warranties, whether oral or written, between the Parties relating to the subject matter of this Agreement.

14.21 Counterparts; Electronic Signatures. This Agreement will be executed in two (2) counterparts, one (1) for either Party, which, taken together, will constitute one and the same

agreement. This Agreement will not be binding on the Parties or otherwise effective unless and until executed by both Parties. This Agreement may be executed electronically, such as by DocuSign.

14.22 Construction. This Agreement has been negotiated by the Parties and their respective counsel. This Agreement will not be construed in favor of or against either Party by reason of the authorship of any provisions hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties, intending to be legally bound hereby, have caused this Agreement to be executed in duplicate by their duly authorized representatives as of the Effective Date.

Nektar Therapeutics

By: /s/ Howard W. Robin
Name: Howard W. Robin
Title: President and Chief Executive Officer

Date: February 12, 2021

By: /s/ Gil M. Labrucherie
Name: Gil M. Labrucherie
Title: Senior Vice President, Chief Operating Officer and Chief Financial Officer

Date: February 12, 2021

IN WITNESS WHEREOF, the Parties, intending to be legally bound hereby, have caused this Agreement to be executed in duplicate by their duly authorized representatives as of the Effective Date.

SFJ Pharmaceuticals XII, L.P.

By: SFJ XII GP LLC,
a Caymans Islands limited liability company
Its: General Partner

By: /s/ Jonathan Roney
Name: Jonathan Roney
Title: Manager

Date: February 12, 2021

Signature Page to the Co-Development Agreement

EXHIBIT LIST

Exhibit A The Product

Exhibit B Current Approved CROs

Exhibit C Current Approved Vendors

Exhibit D HNC Main Clinical Draft Trial Protocol

Exhibit E Executive Officers

Exhibit F1 Nektar Anti-Bribery and Anti-Corruption Practices

Exhibit F2 SFJ Anti-Bribery and Anti-Corruption Practices

Exhibit G-1 SFJ Quarterly Labor Fee

Exhibit G-2 Nektar Quarterly Labor Fee

Exhibit H RACI

Exhibit I Timeline

Exhibit J Study Site Countries

Exhibit K TORO

Exhibit 10.39

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

PURCHASE AND SALE AGREEMENT

dated as of December 16, 2020

between

NEKTAR THERAPEUTICS

and

HEALTHCARE ROYALTY PARTNERS IV, L.P.,
HCRP OVERFLOW FUND, L.P.,
HCR STAFFORD FUND, L.P.,
HCR POTOMAC FUND, L.P., and
HCR CANARY FUND, L.P.

and

HCR COLLATERAL MANAGEMENT, LLC,
solely in its capacity as Purchaser Representative

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

TABLE OF CONTENTS

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibits

Exhibit A-1: Form of AZ Confirmation
Exhibit A-2: Form of Baxter Confirmation
Exhibit B: Form of Baxter Consent Amendment
Exhibit C: Form of Bill of Sale
Exhibit D: Disclosure Schedule
Exhibit E: Form of Novo Consent
Exhibit F-1: AZ License Agreement
Exhibit F-2: Baxter License Agreement
Exhibit F-3: Novo Settlement Agreement
Exhibit F-4: Novo Sublicense Agreement
Exhibit F-5: AZ Consent
Exhibit F-6: Baxter Consent
Exhibit G: Seller Account
Exhibit H: Goodwin Opinion

Schedule

Schedule 1.1 [***]

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "Purchase and Sale Agreement"), dated as of December 16, 2020, is by and among Nektar Therapeutics, a Delaware corporation (the "Seller"), Healthcare Royalty Partners IV, L.P., a Delaware limited liability partnership, HCRP Overflow Fund, L.P., a Delaware limited liability partnership, HCR Stafford Fund, L.P., a Delaware limited liability partnership, HCR Potomac Fund, L.P., a Delaware limited liability partnership, and HCR Canary Fund, L.P., a Delaware limited liability partnership (collectively, the "Purchaser" or the "Purchasers") and HCR Collateral Management, LLC, solely in its capacity as a representative of the Purchasers (the "Purchaser Representative").

W I T N E 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 Royalties 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:

"Adynovate" means antihemophilic factor (recombinant) pegylated, rurioctocog alfa pegol.

"[***]".

"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.

"Applicable Royalty Rate" has the meaning set forth in Section 6.8.

"AZ" means AstraZeneca AB, a Swedish corporation.

"AZ Confirmation" means that certain written confirmation substantially in the form of Exhibit A-1.

"AZ Consent" means that certain letter agreement, effective as of November 20, 2020, by and between the Seller and AZ.

"AZ Financing Statement" means the financing statement to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"AZ Instruction" means the irrevocable direction to AZ to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"AZ Intellectual Property Rights" means, collectively, AZ Know-How and AZ Patents, to the extent licensed to AZ under the AZ License Agreement.

"AZ Know-How" means, collectively, Joint Know-How (as defined in Section 1.91 of the AZ License Agreement) and Licensed Know-How (as defined in Section 1.98 of the AZ License Agreement).

"AZ License Agreement" means, collectively, (a) that certain License Agreement, dated September 20, 2009, by and between the Seller and AZ and (b) as amended by that certain Amendment No. 1 to the License Agreement, effective as of August 8, 2013, by and between the Seller and AZ.

"AZ Licensed Products" means Stand-Alone Products (as defined in Section 1.150 of the AZ License Agreement).

"AZ Net Sales" means Net Sales (as defined in Section 1.114 of the AZ License Agreement).

"AZ New Arrangement" has the meaning set forth in Section 6.6(a).

"AZ Patents" means, collectively, Joint Patents (as defined in Section 1.91 of the AZ License Agreement) and Licensed Patents (as defined in Section 1.99 of the AZ License Agreement).

"AZ Related Agreements" means (a) that certain Master Services Agreement, dated December 15, 2009, by and between AZ and Seller, (b) that certain Manufacturing and Technology Transfer Agreement, dated December 15, 2009, by and between AZ and Seller and (c) that certain Quality Agreement, dated December 15, 2009, by and between AZ and Seller.

"AZ Royalties" means [***].

"AZ Royalty Reports" means the quarterly royalty reports delivered to the Seller by AZ pursuant to Section 7.12 of the AZ License Agreement setting forth AZ Net Sales for each applicable calendar quarter.

"AZ Royalty Term" means the period commencing on the Royalties Commencement Date and ending on the later of the dates described in Section 7.9(a) and (b) of the AZ License Agreement.

"AZ Sublicense Agreement" means, any agreement in which the rights granted to AZ under the AZ License Agreement are sublicensed to a sublicensee, or are further sublicensed by such sublicensee.

"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.

"Baxter" means Baxalta US Inc., a Delaware corporation and Baxalta GmbH, a Swiss corporation (as assignees from Baxter Healthcare SA, a corporation organized and existing under the laws of Switzerland and Baxter Healthcare Corporation, a Delaware corporation).

"Baxter Confirmation" means that certain written confirmation substantially in the form of Exhibit A-2.

"Baxter Consent" means that certain letter agreement, dated as of November 8, 2018, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, as amended, following the date of execution of the Baxter Consent Amendment, by the Baxter Consent Amendment.

"Baxter Consent Amendment" means that certain Amendment No. 1 to the Baxter Consent, substantially in the form of Exhibit B.

"Baxter Financing Statement" means the financing statement to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"Baxter Instruction" means the irrevocable direction to Baxter to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"Baxter Intellectual Property Rights" means Baxter Patents and Baxter Know-How, to the extent licensed to Baxter under the Baxter License Agreement.

"Baxter Know-How" means NEKTAR AL KNOW-HOW (as defined in Section 1.46 of the Baxter License Agreement).

"Baxter License Agreement" means, collectively, (a) that Exclusive Research, Development, License and Manufacturing and Supply Agreement, dated September 26, 2005, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, (b) as amended by that certain Amendment No. 1 to Exclusive Research, Development, License and Manufacturing and Supply

Agreement, effective as of October 19, 2005, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, (c) as amended by that certain Amendment No. 2 to Exclusive Research, Development, License and Manufacturing and Supply Agreement, effective as of December 14, 2005, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, (d) as amended by that certain Amendment No. 3 to Exclusive Research, Development, License and Manufacturing and Supply Agreement, effective as of December 17, 2007, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, (e) as amended by that certain Amendment No. 4 to Exclusive Research, Development, License and Manufacturing and Supply Agreement, effective as of December 31, 2008, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter, (f) as amended by that certain Amendment No. 5 to Exclusive Research, Development, License and Manufacturing and Supply Agreement, effective as of June 7, 2011, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter and (g) as amended by that certain Amendment No. 6 to Exclusive Research, Development, License and Manufacturing and Supply Agreement, effective as of September 17, 2014, by and between the Seller (as successor to Nektar Therapeutics AL, Corporation) and Baxter.

"Baxter Licensed Products" means COMMERCIAL PRODUCT (as defined in Section 1.13 of the Baxter License Agreement).

"Baxter Net Sales" means NET SALES (as defined in Section 1.52 of the Baxter License Agreement).

"Baxter New Arrangement" has the meaning set forth in Section 6.6(b).

"Baxter Patents" means NEKTAR AL PATENT RIGHTS (as defined in Section 1.49 of the Baxter License Agreement).

"Baxter Related Agreements" means (a) that certain Manufacturing and Supply Agreement, dated March 23, 2012, by and between Baxter and Seller and (b) that certain Process and Development Agreement, dated June 16, 2011, by and between Baxter and Seller.

"Baxter Royalties" means [***].

"Baxter Royalty Reports" means the quarterly royalty reports delivered to the Seller pursuant to Section 9.5 of the Baxter License Agreement.

"Baxter Royalty Term" means the period commencing on the Royalties Commencement Date and ending on the date on that the last Royalty payment under the Baxter License is due in accordance with Section 9.2 of the Baxter License Agreement.

"[***]".

"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 C.

"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 7.1.

"Closing Date" has the meaning set forth in Section 7.1.

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

"Commercially Reasonable Efforts" or "Commercially Reasonable Actions" means, with respect to any Intellectual Property Rights in any country, efforts or 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.

"Confidentiality Breach" has the meaning set forth in Section 6.11(a).

"Conjugate IX Family" [***].

"Counterparty Consents" means the AZ Consent, the Baxter Consent and, following the date of execution thereof, the Novo Consent.

"Counterparty" means, as the context requires, Baxter, AZ or Novo Nordisk.

"Counterparty Instructions" means the Baxter Instruction, the AZ Instruction and the Novo Instruction.

"Defaulting Party" has the meaning set forth in Section 6.5(d).

"Disclosure Schedule" means the Disclosure Schedule dated as of the date hereof and attached hereto as Exhibit D.

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

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

"Escrow Agent" means Citizens Bank, N.A., as escrow agent.

"Escrow Agreement" means that certain Escrow Agreement to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date and entered into by the Seller, the Purchaser, the Purchaser Representative and the Escrow Agent.

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

"Excluded Payments" means [***].

"Existing Confidentiality Agreement" means that certain letter agreement, dated May 24, 2017, by and between the Seller and HealthCare Royalty Management, LLC, an Affiliate of the Purchaser, as amended.

"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 Section 1.27 of the Baxter License Agreement) or "First Commercial Sale" (as defined in Section 1.67 of the AZ License Agreement).

"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.

"Initial Cap" means TWO HUNDRED AND TEN MILLION DOLLARS ($210,000,000).

"Intellectual Property Rights" means, collectively, the Baxter Intellectual Property Rights, the AZ Intellectual Property Rights and the Novo Patents.

"Judgment" means any judgment, order, writ, injunction, citation, award or decree of any nature.

"Knowledge" means [***].

"Know-How" means the Baxter Know-How and the AZ Know-How.

"License Agreements" means, collectively, the AZ License Agreement, the Baxter License Agreement, the Novo Settlement Agreement and the Novo Sublicense Agreement.

"Licensed Products" means, collectively, the AZ Licensed Products, the Baxter Licensed Products and the Novo Nordisk Factor IX Product (as defined in Section 1(k) of the Novo Settlement Agreement).

"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.

"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 Purchased Royalties, the timing, amount or duration of the Purchased Royalties, or the right to receive royalty reports and other information (including audit information) on the terms set forth in the License Agreements and this Purchase and Sale Agreement, or (e) the business of the Seller and its Subsidiaries, taken as a whole.

"Material Summary" has the meaning set forth in Section 6.11(a).

"Maximum Cap" means TWO HUNDRED AND FORTY MILLION DOLLARS ($240,000,000).

"Movantik" means any product that contains the compound naloxegol as an active ingredient, in any strengths, forms, formulations, administrations or delivery routes

"Mutually Agreed" means:

(a) for matters (i) solely related to the Purchased Royalties or (ii) that would reasonably be expected (with or without the giving of notice or passage of time, or both) to result in a Material Adverse Effect, the Seller shall either take (or refrain from taking) such reasonable actions in respect of each such matter as are reasonably requested by the Purchaser Representative;

(b) for matters that (i) relate to the matters set forth on Schedule 3.6(a), (ii) relate to the routine maintenance and prosecution of the AZ Patents, the Baxter Patents or the Novo Patents, (iii) do not relate to the Purchased Royalties or (iv) would not reasonably be expected (with or without the giving of notice or passage of time, or both) to result in a Material Adverse Effect, the Seller shall have the right (subject to providing written notice to the Purchaser Representative) to take (or refrain from taking) such actions in respect of each such matter as the Seller, acting reasonably, deems appropriate; or

(c) for all other matters that (i) involve the AZ Patents, the Baxter Patents or the Novo Patents, other than routine maintenance and prosecution, or (ii) do not meet the criteria set forth in clauses (a) or (b) above), the Seller shall take (or refrain from taking) actions in respect of each such matter as the Seller and the Purchaser Representative, each acting reasonably, mutually agree.

"Net Sales" means, as the context requires, Baxter Net Sales, AZ Net Sales, or Novo Net Sales.

"New Arrangement" means, as the context requires, a AZ New Arrangement, a Baxter New Arrangement and a Novo New Arrangement.

"Novo Consent" means that certain letter agreement, in substantially the form attached hereto as Exhibit E, by and between the Seller and Novo Nordisk.

"Novo Financing Statement" means the financing statement to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"Novo Instruction" means the irrevocable direction to Novo Nordisk to be agreed upon by the Purchaser Representative and the Seller, dated as of the Closing Date.

"Novo Net Sales" means Net Sales (as defined in Section 1(j) of the Novo Settlement Agreement).

"Novo New Arrangement" has the meaning set forth in Section 6.6(c).

"Novo Nordisk" means, collectively, Novo Nordisk Inc., a Delaware corporation, Novo Nordisk A/S, a corporation organized and existing under the laws of Denmark and Novo Nordisk Healthcare AG, a corporation organized and existing under the laws of Switzerland.

"Novo Nordisk Factor IX Product" is as defined in Section 1(k) of the Novo Settlement Agreement.

"Novo Patents" means, collectively, the Conjugate IX Family and the Reagent Family, in each case to the extent licensed to Novo Nordisk under the Novo Settlement Agreement.

"Novo Royalty Reports" means the quarterly royalty reports delivered to the Seller pursuant to Section 6(c)(i) of the Novo Settlement Agreement, the Novo Report (as defined under Section 1 of the Novo Sublicense Agreement) and the royalty reports delivered to the Seller pursuant to Section 3.6 of the Novo Sublicense Agreement.

"Novo Royalty Term" means the period commencing on the Royalties Commencement Date and ending on the date on that the last Royalty payment under the Novo Settlement Agreement is due in accordance with the Novo Settlement Agreement.

"Novo Settlement Agreement" means that certain Settlement and License Agreement, dated December 21, 2016, by and among Novo Nordisk and the Seller.

"Novo Sublicense Agreement" means that Right to Sublicense Agreement, dated October 27, 2017, by and between Baxalta Incorporated, Baxter and the Seller.

"Novo Settlement Royalties" means [***].

"Novo Sublicense Royalties" means [***].

"[***]".

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

"Past Period Audit" has the meaning set forth in Section 6.7(a).

"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 AZ Patents, the Baxter Patents and Novo Patents.

"Permissible Summary Disclosure" has the meaning set forth in Section 6.11(a).

"Permitted Tax Withholding" means (a) in the case of the AZ License Agreement, any Tax withholding expressly permitted under Section 7.17 of the AZ License Agreement, (b) in the case of the Baxter License Agreement, any Tax withholding expressly permitted under Section 10.5 of the Baxter License Agreement, (c) in the case of the Novo Settlement Agreement, any Tax withholding expressly permitted under Section 6(c)(iii) of the Novo Settlement Agreement and (d) in the case of the Novo

Sublicense Agreement, any Tax withholding expressly permitted under Section 3.12 of the Novo Sublicense Agreement.

"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.

"Products" means Adynovate, Movantik and Rebinyn.

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

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

"Purchased Royalties" means, on any date prior to the Royalty Termination Date, the AZ Royalties, the Baxter Royalties, the Novo Settlement Royalties and the Novo Sublicense Royalties.

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

"Purchaser Account" has the meaning set forth in Section 6.4(b).

"Purchaser Connection Tax" means any Tax to the extent that it would not be imposed but for (i) any connection of the Purchaser with the jurisdiction of the applicable taxing authority (other than a connection arising solely from this Purchase and Sale Agreement or any transaction contemplated thereby) or (ii) any failure of the Purchaser to provide any applicable documentation that is reasonably requested by the applicable withholding agent and that the Purchaser is legally eligible to provide.

"Purchaser Excluded Tax" means any non-U.S. withholding Tax withheld by any licensee, Seller, or any other applicable withholding agent in respect of any payment made to the Purchaser pursuant to this Purchase and Sale Agreement other than (i) a Purchaser Indemnified Tax and (ii) a Purchaser Connection Tax.

"Purchaser Indemnified Party" has the meaning set forth in Section 8.1.

"Purchaser Indemnified Tax" means any non-U.S. withholding Tax (other than a Purchaser Connection Tax) withheld by any licensee, Seller, or any other applicable withholding agent in respect of any payment made to the Purchaser pursuant to this Purchase and Sale Agreement to the extent that such non-U.S. withholding Tax would have been imposed if the payment in question were payable to Seller.

"Reagent Family" has the meaning ascribed thereto in Section 1(o) in the Novo Settlement Agreement.

"Rebinyn" means coagulation Factor IX (recombinant), glycoPEGylated.

"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 AZ, Baxter or Novo Nordisk, as the case may be, in a jurisdiction, issued by the appropriate Regulatory Agency.

"Related Agreements" means the AZ Related Agreements and the Baxter Related Agreements.

"Royalties" means, collectively, the AZ Royalties, the Baxter Royalties, the Novo Settlement Royalties and the Novo Sublicense Royalties.

"Royalties Commencement Date" means October 1, 2020.

"Royalty Cap" means either (a) if the aggregate payments payable to Purchaser on or prior to December 31, 2025 in respect of the Purchased Royalties ([***]), as adjusted for any payment made by Seller pursuant to Section 2.3, are equal or greater than, in the aggregate, the Initial Cap, then the Initial Cap, or (b) if the aggregate payments payable to Purchaser on or prior to December 31, 2025 in respect of the Purchased Royalties ([***]), as adjusted for any payment made by Seller pursuant to Section 2.3, are less than, in the aggregate, the Initial Cap, then the Maximum Cap.

"[***]".

"Royalty Reduction" has the meaning set forth in Section 3.13(f); provided, however, that "Royalty Reduction" shall not include any Set-off or reduction on account of Taxes.

"Royalty Termination Date" means the earlier of (a) date on which aggregate payments of the Purchased Royalties actually received by the Purchaser ([***]) equal the Royalty Cap or (b) the date of the last Royalty payment under the License Agreements.

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

"Selected Reagent" means SELECTED REAGENT (as defined in Section 1.73 of the Baxter License Agreement).

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

"Seller Account" has the meaning set forth in Section 6.4(d).

"Seller Indemnified Party" has the meaning set forth in Section 8.2.

"Set-off" means any set-off or off-set; provided, however, that "Set-off" shall not include any Royalty Reduction or set-off on account of Taxes.

"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 U.S. federal, state, local or non-U.S. income, gross receipts, license, payroll, employment, excise, severance, occupation, premium, windfall profits, 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 Escrow Agreement, the Bill of Sale and the Counterparty Instructions.

"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 any 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 ROYALTIES

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 Royalties, free and clear of any and all Liens, other than those Liens created under the Transaction Documents.

(b) The Seller and the Purchaser intend and agree that the sale, contribution, assignment, transfer, conveyance and granting of the Purchased Royalties 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 Royalties (including U.S. federal income tax purposes) and that such assignment and sale shall provide the Purchaser with the full benefits of ownership of the Purchased Royalties. Neither the Seller nor the Purchaser intends the transactions contemplated hereby to be, or for any purpose (including U.S. federal income tax purposes) 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 Royalties 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 Royalties 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 Representative to execute, record and file, and consents to the Purchaser Representative 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 Royalties and to perfect the security interest in the Purchased Royalties 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 Royalties 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 Royalties 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 Royalties, and subject to the terms and conditions set forth herein, the Purchaser shall pay (or cause to be paid) to the Seller, at the Closing, the sum of ONE HUNDRED AND FIFTY MILLION DOLLARS ($150,000,000), in immediately available funds by wire transfer to the Seller Account (the "Purchase Price").

Section 2.3 Minimum Cap, True-Up and Prepayment.

(a) If the aggregate Purchased Royalties received by the Purchaser equal at least the Initial Cap on or prior to December 31, 2025 (such date of receipt, the "Minimum Cap Date"), (i) the Purchaser Representative and the Seller shall deliver joint written instructions to the Escrow Agent to instruct the Escrow Agent to pay the sum of the aggregate Purchased Royalties achieved for the calendar quarter during which the Minimum Cap Date occurs, less the Initial Cap (such amount the "Minimum Cap Overage"), to the Seller pursuant to the payment instructions set forth in such joint written instructions and (ii) the payment of the Purchased Royalties to the Purchaser for the calendar quarter during which the Minimum Cap Date occurs shall be reduced by such Minimum Cap Overage and no further payments of Purchased Royalties are due to the Purchaser hereunder.

(b) If, and only if, the aggregate Purchased Royalties payable to the Purchaser are less than the Initial Cap and the aggregate Purchased Royalties payable to the Purchaser on or prior to December 31, 2025 are determined to be less than the Initial Cap by an amount equal to or less than TWO MILLION DOLLARS ($2,000,000), then the Seller shall have the right, but not the obligation, to pay such amount (the "Initial Cap True-Up") to the Purchaser within thirty (30) days following such determination, by wire transfer of immediately available funds to an account designated in writing by the Purchaser Representative, and upon payment of the Initial Cap True-Up (regardless of whether such payment is made prior to December 31, 2025), no further payments of Purchased Royalties are due to the Purchaser hereunder and the Royalty Cap shall be deemed to have been achieved. If the aggregate Purchased Royalties payable to the Purchaser do not equal the Initial Cap on or prior to December 31, 2025, and the Seller is not eligible to, or does not exercise the right to, pay the Initial Cap True-Up, the Purchased Royalties shall continue to be paid to the Purchaser until such time that the aggregate Purchased Royalties paid to the Purchaser equals the Maximum Cap. At such time that the aggregate Purchased Royalties equal the Maximum Cap, no further payments of Purchased Royalties are due to the Purchaser hereunder.

(c) At any time, the Seller shall have the right, but not the obligation, to pay to the Purchaser the Maximum Cap less the aggregate Purchased Royalties paid to the Purchaser as of such date, by wire transfer of immediately available funds to an account designated in writing by the Purchaser Representative, and upon such payment, no further payments of the Purchased Royalties are due to the Purchaser hereunder and the Royalty Cap shall be deemed to have been achieved.

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 Royalties 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 License Agreements. 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 License Agreements, other than the Purchased Royalties, or any other assets of the Seller.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Except as set forth on the Disclosure Schedule, the Seller hereby makes each of the following representations and warranties 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 License 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 License Agreements) or (B) any License 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 Products, the License Agreements or the Purchased Royalties.

(b) The Seller has not granted, nor does there exist, any Lien on or relating to the License Agreements, the Intellectual Property Rights or the Products. Except for Liens created under the Transaction Documents, the Seller has not granted, nor does there exist, any Lien on or relating to the Purchased Royalties. Except for the license granted by the Seller to each Counterparty under the License 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 Royalties 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 Schedule 3.4, in the appropriate agencies and in the jurisdictions listed on Schedule 3.4. The Purchased Royalties 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 Royalties to the Purchaser. Upon the sale, contribution, assignment, transfer, conveyance and granting by the Seller of the Purchased Royalties to the Purchaser, the Purchaser shall acquire good and marketable title to the Purchased Royalties free and clear of all Liens, other than those Liens created under the Transaction Documents, and shall be the exclusive owner of the Purchased Royalties. The Purchaser shall have the same rights as the Seller would have with respect to the Purchased Royalties (if the Seller were still the owner of such Purchased Royalties) 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 Baxter contained in the Baxter Instruction, (iv) the notice to AZ contained in the AZ Instruction and (v) the notice to Novo Nordisk contained in the Novo Instruction.

Section 3.6 No Litigation

(a) 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 Baxter, AZ, Novo Nordisk, their Affiliates, or any of their sublicensees, in each case in respect of the License Agreements, the Intellectual Property Rights, the Products or the Purchased Royalties, at law or in equity.

(b) 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 Baxter, AZ or Novo Nordisk, in each case in respect of the License Agreements, the Intellectual Property Rights, the Products or the Purchased Royalties.

(c) To the Knowledge of the Seller, 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 any License Agreement. No payor under any License Agreement or any taxing authority has ever notified Seller that any such withholding was required or would have been required absent Seller's qualification for benefits under an applicable income Tax treaty.

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

The Seller's representations as to tax matters are limited to those representations contained in this Section 3.8.

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

(a) Schedule 3.11 sets forth an accurate and complete list of all issued Patents and pending Patents. For each Patent listed on Schedule 3.11 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) To the Knowledge of the Seller, in each AZ Patent family listed on Schedule 3.11, there is at least one issued and unexpired or pending valid claim covering the manufacture, use, import, offering for sale, or sale of Movantik.

(c) To the Knowledge of the Seller, in each Baxter Patent family listed on Schedule 3.11, there is at least one issued and unexpired or pending valid claim covering the manufacture, use, import, offering for sale, or sale of Adynovate.

(d) 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. 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.

(e) Subsequent to the issuance of each Patent, neither the Seller nor, to the Knowledge of the Seller, any 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.

(f) 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. To the Knowledge of the Seller, there are no pending or threatened Disputes by any

Counterparty, or their Affiliates or sublicensees, 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 or, to the Knowledge of the Seller, any Counterparty or any of its sublicensees involving any 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. There are no proceedings, other than proceedings in the ordinary course of patent prosecution and except as set forth in Schedule 3.11(f), with respect to the Patents listed on Schedule 3.11. [***].

(g) 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 that claims that the manufacture, use, marketing, sale, offer for sale, importation or distribution of any 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 any Product by the Seller, any Counterparty or any of their respective sublicensees.

(h) Movantik is an AZ Licensed Product, Adynovate is a Baxter Licensed Product and Rebinyn is a Novo Nordisk Factor IX Product (as defined in Section 1(k) of the Novo Settlement Agreement).

(i) 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 any of the License Agreements of infringement of any of the Intellectual Property Rights.

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

(k) The Intellectual Property Rights constitutes all of the intellectual property owned or licensed by the Seller or any of the Seller's Affiliates that is, to the Seller's Knowledge, necessary for the sale of the Products. The Seller is the sole and exclusive owner of each of the Patents listed on Schedule 3.11 and each of the inventions claimed in such Patents.

(l) Within the last seven years, 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.

(m) There is no Person who is or claims to be an inventor under any Patent who is not a named inventor thereof. The list of inventors named in each issued and unexpired Patent listed on Schedule 3.11 is current and complete.

Section 3.12 Regulatory Approval and Marketing

(a) To the Knowledge of the Seller, each Counterparty is in compliance with its obligations to 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 Schedule 3.12.

Section 3.13 Counterparty Agreements

(a) Other than the Transaction Documents, the Related Agreements, the License Agreements, the AZ Consent, the Baxter Consent and the Confidentiality Agreement, 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 Royalties, the License Agreements or the Intellectual Property Rights.

(b) Attached as Exhibit F-1, F-2, F-3 and F-4 are true, correct and complete copies of the License Agreements. Attached as Exhibit F-5 and F-6 are true and correct copies of the AZ Consent and the Baxter Consent, redacted solely to the extent necessary to permit the Seller to comply with its obligations of confidentiality to certain third parties. The Seller has provided to the Purchaser Representative true, correct and complete copies of (i) all AZ Royalty Reports, Baxter Royalty Reports, and Novo Royalty Reports and (iii) all material notices and correspondence delivered to the Seller by the Counterparties or by the Seller to the Counterparties since January 1, 2018 pursuant to, or relating to, the License Agreements.

(c) Each of the License 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 License 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 License Agreements by the Seller or, to the Knowledge of the Seller, any Counterparty.

(d) The Seller has not waived any rights or defaults under the License Agreements or released any Counterparty, in whole or in part, from any of its obligations under any of the License Agreements. There are no oral waivers or modifications (or pending requests therefor) in respect of any of the License Agreements. Neither the Seller nor any Counterparty has agreed to amend or waive any provision of the License Agreements, and the Seller has not received or submitted any proposal to do so.

(e) Since the First Commercial Sale of Movantik, the Seller has, to the Knowledge of the Seller, received from AZ the full amount of the AZ Royalties payable in respect of AZ Net Sales of Movantik. Since the First Commercial Sale of Adynovate, the Seller has, to the Knowledge of the Seller, received from Baxter the full amount of the Baxter Royalties payable in respect of Baxter Net Sales of Adynovate. Since the Waiver Date (as defined in Section 1(t) of the Novo Settlement Agreement), the Seller has, to the Knowledge of the Seller, received from Novo Nordisk the full amount of Novo Settlement Royalties payable in respect of Novo Net Sales of Rebinyn. Since the date of the Novo Sublicense Agreement, the Seller has, to the Knowledge of the Seller, received from Baxter the full amount of Novo Sublicense Royalties payable in respect of Net Sales (as defined in the Novo Sublicense Agreement) of the Licensed Product (as defined in the Novo Sublicense Agreement). No event has

occurred that would give the Seller or any Counterparty the right to terminate any of the License Agreements or cease paying Royalties under any of the License Agreements. The Seller has not received any notice of an intention by any Counterparty to terminate or breach any of the License Agreements, in whole or in part, or challenging the validity or enforceability of any of the License Agreements or the obligation to pay the Royalties under any of the License Agreements, or alleging that the Seller or any Counterparty is currently in default of its obligations under any of the License Agreements. To the Knowledge of the Seller, there is and has been no default, violation or breach of any Counterparty under any of the License Agreements. The Seller has no intention of terminating any of the License Agreements and has not given any Counterparty any notice of termination of any of the License 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.

(g) The Seller has not consented to an assignment by any Counterparty of any of such Counterparty's rights or obligations under any License Agreement, and the Seller does not have Knowledge of any such assignment by any 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 on, the License Agreements or any of the Seller's rights, title or interest in or to the Intellectual Property Rights or the Products.

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

(i) The Seller has not exercised its rights to conduct an audit under any 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) To the Knowledge of the Seller, Baxter has not granted to any other Person any sublicense pursuant to Section 4.2 of the Baxter License Agreement. To the Knowledge of the Seller, AZ has not granted to any other Person any sublicense pursuant to Section 4.2 of the AZ License Agreement.

(m) To the Knowledge of the Seller, the First Commercial Sale of Adynovate occurred during the month of December, in 2015. To the Knowledge of the Seller, the First Commercial Sale of Movantik occurred during the month of March, in 2015. To the Knowledge of the Seller, the First Commercial Sale of Rebinyn occurred during the fourth calendar quarter of 2017.

Section 3.14 UCC Matters

The Seller's exact legal name is, and for the preceding 10 years has been, "Nektar Therapeutics". 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

No Counterparty has exercised, and, to the Knowledge of the Seller, no Counterparty has had the right to exercise, and no event or condition exists that, upon notice or passage of time, or both, would permit any Counterparty to exercise, any Royalty Reduction or Set-off against the Royalties or any other amounts payable to the Seller under any of the License Agreements. 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 PURCHASERS

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

Section 4.1 Organization

Such Purchaser is a limited liability partnership duly organized, validly existing and in good standing under the laws of Delaware.

Section 4.2 No Conflicts

The execution and delivery by such Purchaser of any of the Transaction Documents to which such Purchaser is party, the performance by such Purchaser of its obligations hereunder or thereunder or the consummation by such 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 such 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 such 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 such Purchaser is a party or by which such Purchaser or any of its assets or properties is bound or committed.

Section 4.3 Authorization

Such Purchaser has all necessary trust power and authority to execute and deliver the Transaction Documents to which such 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 such Purchaser is party and the performance by such Purchaser of its obligations hereunder and thereunder have been duly authorized by such Purchaser. Each of the Transaction Documents to which such Purchaser is party has been duly executed and delivered by such Purchaser. Each of the Transaction Documents to which such Purchaser is party constitutes the legal, valid and binding obligation of such Purchaser, enforceable against such 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 such Purchaser of the Transaction Documents to which such Purchaser is party, the performance by such 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 Baxter contained in the Baxter Instruction and the notice to AZ contained in the AZ 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 such Purchaser, threatened by or against such 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 such Purchaser, threatened against such 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.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER REPRESENTATIVE

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

Section 5.1 Organization

The Purchaser Representative is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware.

Section 5.2 No Conflicts

The execution and delivery by the Purchaser Representative of any of the Transaction Documents to which the Purchaser Representative is party, the performance by the Purchaser Representative of its obligations hereunder or thereunder or the consummation by the Purchaser Representative 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 Representative, (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 Representative 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 Representative is a party or by which the Purchaser Representative or any of its assets or properties is bound or committed.

Section 5.3 Authorization

The Purchaser Representative has all necessary trust power and authority to execute and deliver the Transaction Documents to which the Purchaser Representative 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 Representative is party and the performance by the Purchaser Representative of its obligations hereunder and thereunder have been duly authorized by the Purchaser Representative. Each of the Transaction Documents to which the Purchaser Representative is party has been duly executed and delivered by the Purchaser Representative. Each of the Transaction Documents to which the Purchaser Representative is party constitutes the legal, valid and binding obligation of the Purchaser Representative, enforceable against the Purchaser Representative 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 5.4 Governmental and Third Party Authorizations

The execution and delivery by the Purchaser Representative of the Transaction Documents to which the Purchaser Representative is party, the performance by the Purchaser Representative 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 Baxter contained in the Baxter Instruction and the notice to AZ contained in the AZ Instruction.

Section 5.5 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 Representative, threatened by or against the Purchaser Representative, 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 Representative, threatened against the Purchaser Representative, 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.

ARTICLE VI

COVENANTS

The Parties covenant and agree as follows:

Section 6.1 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 in respect of the Purchased Royalties.

(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 License Agreement, any transaction contemplated hereby or thereby or the Purchased Royalties (in any case other than any notice contemplated in Section 6.1(e)), or (ii) any other correspondence relating to the foregoing, the Seller shall (A) notify the Purchaser Representative in writing of the receipt of such notice or correspondence and provide the Purchaser Representative with a written summary of all material details thereof and (B) to the extent not prohibited by obligations of confidentiality contained in the License Agreements and Counterparty Consents, if such notice is in writing, furnish the Purchaser Representative with a copy thereof and any materials reasonably related thereto.

(c) Subject to Sections 6.11(a) and 6.11(b), following the completion of each calendar quarter during the term of this Purchase and Sale Agreement, as promptly as practicable, but in any event no later than [***] after the Seller receives an AZ Royalty Report, a Baxter Royalty Report and a Novo Royalty Report for such calendar quarter, the Seller shall deliver to the Purchaser Representative a true, correct and complete copy of each report in respect of such completed calendar quarter.

(d) Subject to Sections 6.11(a) and 6.11(b), promptly [***] after receipt by the Seller of any material written notice, certificate, offer, proposal, correspondence, report or other communication relating to any License Agreement, the Intellectual Property Rights, the Purchased Royalties or, except in relation to the Related Agreements, any Product (in any case, other than any notice contemplated by Section 6.1(b) or 6.1(e)), the Seller shall (i) notify the Purchaser Representative in writing of the receipt thereof and provide the Purchaser Representative with a written summary of all material details thereof and (ii) to the extent not prohibited by obligations of confidentiality contained in the License Agreements and Counterparty Consents, furnish the Purchaser Representative with a copy thereof.

(e) The Seller shall provide the Purchaser Representative 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 material breach or default by the Seller of or under any material 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 any of the Products or the Purchased Royalties;

(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.

(f) The Seller shall notify the Purchaser Representative in [***] prior to 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.

(g) The Seller shall notify the Purchaser Representative in writing [***] after becoming aware that any Purchaser Indemnified Tax may be required with respect to any payment under any License.

Section 6.2 Public Announcement

No Party shall, and each Party shall cause its Affiliates not to, without the prior written consent of the other Parties (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 Parties 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; provided that a Party may freely make any public disclosure identical to a disclosure previously reviewed by the other Party in accordance with the foregoing clauses (a) and (b). Notwithstanding the foregoing, the Purchaser and the Purchaser Representative understand and agree 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 Representative a draft of such filings with the SEC and (b) consider in good faith any comments or changes that the Purchaser Representative may propose or suggest. The Seller and the Purchaser Representative shall jointly prepare a press release for dissemination promptly following the Closing, such press release to be agreed upon by the Purchaser Representative and the Seller.

Section 6.3 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 Royalties 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 Royalties free and clear of all Liens (other than Liens under the Transaction Documents), (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, the Purchasers and the Purchaser Representative shall cooperate and provide assistance as reasonably requested by any 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 Royalties, 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 the Purchaser Representative or brought by the Purchaser or the Purchaser Representative (in each case, 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 License Agreements and the Purchased Royalties, 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) 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 6.4 Payments on Account of the Purchased Royalties

(a) If, notwithstanding the terms of the Counterparty Instructions and the Escrow Agreement, any Counterparty, any of its Affiliates, any of its sublicensees, or any other Person makes any future payment of the Purchased Royalties to the Seller or any of its Subsidiaries, then (i) such amount shall be held by the Seller (or such Subsidiary) in trust for the benefit of the Purchaser, (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) [***], shall remit such portion of such payment to the Purchaser Account pursuant to Section 6.4(b) in the exact form received with all necessary endorsements.

(b) All payments required to be made to the Purchaser pursuant to this Purchase and Sale Agreement shall be made by wire transfer of immediately available funds, without Set-off or deduction or withholding for or on account of any Taxes (except as required by Applicable Law), to the account provided by the Purchaser Representative in writing (or to such other account as the Purchaser Representative shall notify the Seller in writing from time to time) (the "Purchaser Account").

(c) If, notwithstanding the terms of the Counterparty Instructions and the Escrow Agreement, any Counterparty, any of its Affiliates, any of its sublicensees or any other Person makes any payment to the Purchaser that does not consist entirely of Purchased Royalties, then (i) the portion of such payment

that does not constitute Purchased Royalties shall be held by the Purchaser in trust for the benefit of the Seller, (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 [***], shall remit such payment to the Seller Account pursuant to Section 6.4(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 (except as required by Applicable Law) to the account set forth on Exhibit G (or to such other account as the Seller shall notify the Purchaser Representative in writing from time to time) (the "Seller Account").

(e) If any Counterparty takes any Set-off against the Purchased Royalties (other than for any prior overpayment of Purchased 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 the Purchased Royalties and the Seller previously made a payment to the Purchaser in the amount of such Set-off pursuant to the foregoing sentence, then the Purchaser shall [***], pay to the Seller the amount of such payment.

Section 6.5 License Agreements

(a) The Seller (i) shall perform and comply with in all material respects its obligations under the License Agreements, (ii) shall not, except as Mutually Agreed, (A) forgive, release or compromise any Purchased Royalties payable by the applicable Counterparty under any 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 License Agreement, (iii) shall not, except as Mutually Agreed, enter into any new contract, agreement or legally binding arrangement in respect of the Purchased Royalties, the Intellectual Property Rights or, except in relation to the Related Agreements, the Products, and (iv) shall not agree to do any of the foregoing. The Seller shall [***] deliver to the Purchaser Representative 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.

(b) Except as otherwise expressly set forth in this ARTICLE V and except as Mutually Agreed, the Seller shall not grant or withhold any consent, exercise or waive any right or option, fail to exercise any right or option or deliver to any Counterparty any notice under any License Agreement. The Seller shall [***] deliver to the Purchaser Representative copies of all fully-executed or definitive writings related to the matters set forth in the immediately preceding sentence.

(c) [***] after (i) receiving (x) notice from any Counterparty, including any notice terminating any License Agreement (in whole or in part), alleging any breach of or default under any License Agreement by the Seller related to the Purchased Royalties, or any other material breach or default, 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 License Agreement by the Seller related to the Purchased Royalties, or any other material breach or default, or the right to terminate any License 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 License Agreement by the Seller related to the Purchased Royalties, or any other material breach or default, or the right to terminate any License Agreement (in whole or in part) by any Counterparty, in each case the Seller shall (A) (x) give written notice thereof to the Purchaser Representative and provide the Purchaser Representative with a written summary of all material details thereof, (y) to the extent not prohibited by obligations of confidentiality contained in the License Agreements and Counterparty Consents, include a copy of any written notice received from such Counterparty, and (z) in the case of any such 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 such 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 Representative upon curing such breach or default; provided, however, that, if the Seller fails to promptly cure any such breach or default, without limiting any other rights it may have, the Purchaser Representative shall, on behalf of the Purchasers and upon written notice to the Seller and to the extent permitted by the License Agreements, be entitled to take any and all actions the Purchaser Representative considers reasonably necessary to promptly cure such breach or default, and the Seller shall cooperate with the Purchaser Representative for such purpose and reimburse the Purchaser Representative, [***] following demand, for all out-of-pocket costs and expenses incurred by the Purchaser Representative in connection therewith.

(d) Promptly after the Seller obtains Knowledge of any actual or alleged breach of or default that relates to the Purchased Royalties or any other actual or alleged material breach of or default under any 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 any such breach of or default or the right to terminate any License Agreement (in whole or in part) by the Seller, in each case the Seller shall [***] give written notice thereof to the Purchaser Representative and provide the Purchaser Representative with a written summary of all material details thereof and act as Mutually Agreed to take such permissible actions (including commencing legal action against the Defaulting Party and the selection of legal counsel reasonably satisfactory to the Purchaser Representative) 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. If the Seller is required to act as directed by the Purchaser Representative pursuant to this Section 6.5(d), then 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 License Agreement by the Seller or (y) the Seller acts without or contrary to the Purchaser Representative's direction. The Purchaser Representative shall, except to the extent prohibited by the obligations of confidentiality contained in the License Agreements and Counterparty Consents, have the right, at its sole cost and expense, to attend (or, if the Seller is required to act as directed by the Purchaser Representative pursuant to this Section 6.5(d), 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 Representative shall have no such right to attend or participate, as applicable, 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 Representative, on behalf of the Purchasers, from directly enforcing, at the Purchaser Representative's sole cost and expense, a Defaulting Party's payment obligations in respect of the Purchased Royalties with counsel selected by the Purchaser Representative in its sole discretion; provided, however, that the Seller shall, except to the extent prohibited by obligations of confidentiality contained in the License Agreements and Counterparty Consents, make available its relevant records and personnel to the Purchaser Representative 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 Representative 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 License Agreement by the Seller or (y) the Seller acts without or contrary to the Purchaser Representative'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 Representative pursuant to this Section 6.5(d)).

(e) Patent Prosecution, Enforcement and Defense.

(i) To the extent required or permitted by the applicable License Agreements and Counterparty Consents, the Seller shall 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 Intellectual Property Rights, including payment of maintenance fees or annuities. In connection with any actions or decisions by the Seller not to act in respect of matters contemplated by the foregoing sentence, to the extent such action or decision would reasonably be expected to have a Material Adverse Effect, the Seller shall provide advance written notice of all such actions or decisions not to act in order to consult with the Purchaser Representative , and the Seller shall, in good faith, give due consideration to any reasonable suggestions of, the Purchaser Representative .

(ii) To the extent required or permitted by the applicable License Agreements and Counterparty Consents and as Mutually Agreed, the Seller shall (A) 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 (B) 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. In connection with the Seller's actions or decisions not to act in respect of matters contemplated by the foregoing sentence, the Seller shall provide advance written notice of all such actions or decisions not to act in order to consult with the Purchaser Representative, if applicable, and, if applicable, allow the Purchaser Representative sufficient time to issue instructions. The Seller shall [***] provide to the Purchaser Representative a copy of any written notice or other documentation received in connection with any such legal action, suit or other proceeding.

(iii) The Seller shall, except to the extent prohibited by obligations of confidentiality contained in the License Agreements and Counterparty Consents, [***] after receipt thereof, provide to the Purchaser Representative 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 Representative with a copy of drafts of any written material proposed to be filed in response thereto.

(iv) The Parties shall bear their own costs and expenses in connection with the actions pursuant to this Section 6.5; provided that the Purchaser Representative 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 any actions the Seller is instructed to take by the Purchaser Representative pursuant to Section 6.5(e)(ii).

(v) 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.

(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 11.5, the Seller shall not dispose of, assign or otherwise transfer, in whole or in part, any License Agreement, the Purchased Royalties 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 6.6 Termination of the License Agreements.

(a) Without limiting the provisions of Section 6.5 or any other rights or remedies the Purchaser may have under this Purchase and Sale Agreement, if AZ terminates or provides written notice of termination of the AZ License Agreement or the AZ License Agreement otherwise terminates (whether in whole or in part in respect of any AZ Licensed Product in any country), in any case during the AZ Royalty Term, then the Seller shall have the exclusive right, following the effective date of such termination, and shall use Commercially Reasonable Efforts to negotiate a license with a Third Party under the AZ Intellectual Property Rights for such Third Party to make, have made, use, import, offer for sale and sell AZ Licensed Products for any purpose that AZ would have been permitted to make, have made, use, import, offer for sale and sell AZ Licensed Products under the AZ License Agreement (and, if such termination is only in part in respect of a AZ 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 AZ Licensed Product under the AZ License Agreement other than the AZ 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 AZ Royalty Term (and, if such termination is only in part in respect of a AZ Licensed Product in a particular country (and not in whole), the AZ Royalty Term shall be such term that is applicable under the AZ License Agreement for such AZ 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 Royalties pursuant to the Transaction Documents, than those contained in the AZ 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 "AZ New Arrangement").

The Seller shall consult and reasonably consider any comments from the Purchaser Representative with respect to such negotiation of an AZ New Arrangement.

(b) Without limiting the provisions of Section 6.5 or any other rights or remedies the Purchaser may have under this Purchase and Sale Agreement, if Baxter terminates or provides written notice of termination of the Baxter License Agreement or the Novo Sublicense Agreement or the Baxter License Agreement or the Novo Sublicense Agreement otherwise terminates, other than in violation of this Purchase and Sale Agreement, then the Seller shall have the exclusive right, following the effective date of such termination, and shall use Commercially Reasonable Efforts to negotiate a license with a Third Party under the Baxter Intellectual Property Rights for such Third Party to make, have made, use, import, offer for sale and sell the Baxter Licensed Products for any purpose that Baxter would have been permitted to make, have made, use, import, offer for sale and sell Baxter Licensed Products under the Baxter License Agreement or the Novo Sublicense 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 Baxter Royalty Term (for purposes of this clause (ii), the Baxter Royalty Term shall be determined assuming that the Baxter 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 Royalties pursuant to the Transaction Documents, than those contained in the Baxter License Agreement or the Novo Sublicense 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 "Baxter New Arrangement"). The Seller shall consult and reasonably consider any comments from the Purchaser Representative with respect to such negotiation of a Baxter New Arrangement.

(c) Without limiting the provisions of Section 6.5 or any other rights or remedies the Purchaser may have under this Purchase and Sale Agreement, if the Novo Settlement Agreement terminates, other than in violation of this Purchase and Sale Agreement, then the Seller shall have the exclusive right, following the effective date of such termination, and shall use Commercially Reasonable Efforts to negotiate a license with a Third Party under the Novo Patents for such Third Party to make, have made, use, import, offer for sale and sell the Novo Nordisk Factor IX Product for any purpose that Novo Nordisk would have been permitted to make, have made, use, import, offer for sale and sell Novo Nordisk Factor IX Product under the Novo Settlement 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 Novo Royalty Term (for purposes of this clause (ii), the Novo Royalty Term shall be determined assuming that the Novo Settlement 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 Royalties pursuant to the Transaction Documents, than those contained in the Novo Settlement 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 "Novo New Arrangement"). The Seller shall consult and reasonably consider any comments from the Purchaser Representative with respect to such negotiation of a Novo New Arrangement.

(d) Should the Seller identify any New Arrangement pursuant to Section 6.6(a), 6.6(b) or 5.6(c), the Seller agrees to promptly duly execute and deliver a new license agreement effecting such New Arrangement that satisfies the foregoing requirements.

Section 6.7 Audits

(a) The Seller shall not, without first consulting the Purchaser Representative, cause an inspection or audit of any Counterparty's books and records to be conducted pursuant to and in accordance with Section 10.2 of the Baxter License Agreement, Section 7.14 of the AZ License Agreement, Section 6(c)(iv) of the Novo Settlement Agreement or Section 3.9 of the Novo Sublicense Agreement, as the case may be. From time to time, but not more frequently than once per calendar year, the Purchaser Representative may request the Seller to, and the Seller shall, cause an inspection or audit of any Counterparty's books and records in respect of the Purchased Royalties to be conducted pursuant to and in accordance with Section 10.2 of the Baxter License Agreement, Section 7.14 of the AZ License Agreement, Section 6(c)(iv) of the Novo Settlement Agreement or Section 3.9 of the Novo Sublicense Agreement, as the case may be. 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 (any such audit, a "Past Period Audit"). For the purposes of exercising the Purchaser Representative's rights pursuant to this Section 6.7(a) in respect of the Baxter License Agreement, the AZ License Agreement or the Novo Sublicense Agreement, the Seller shall appoint such public accounting firm of nationally recognized standing as the Purchaser Representative shall select for such purpose (it being understood and agreed that any such public accounting firm shall, pursuant to Section 10.2 of the Baxter License Agreement, Section 7.14 of the AZ License Agreement or Section 3.9 of the Novo Sublicense Agreement, be reasonably acceptable to Baxter or AZ, respectively). For the purposes of exercising the Purchaser Representative's rights pursuant to this Section 6.7(a) in respect of the Novo Settlement Agreement, the Seller shall appoint such public accounting firm(s) as the Purchaser Representative shall select from the list set forth in Section 6(c)(iv) of the Novo Settlement Agreement. The Seller and the Purchaser Representative agree that all of the expenses of, and amounts payable to AZ, Baxter or Novo Nordisk, as the case may be, as a result of any inspection or audit carried out at the request of the Purchaser Representative pursuant to this Section 6.7(a) that would otherwise be borne by the Seller pursuant to the applicable License Agreement shall instead be borne by the Purchaser Representative 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 Section 10.2 of the Baxter License Agreement, Section 7.14(b) of the AZ License Agreement, Section 6(c)(iv)(H) of the Novo Settlement Agreement or Section 3.9 of the Novo Sublicense 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, that the Purchaser Representative shall be reimbursed by the Seller for any such fees and expenses to the extent the Seller is entitled to receive reimbursement from AZ, Baxter or Novo Nordisk, as the case may be; provided, further, that, for the avoidance of doubt, any audit caused by the Seller pursuant to the first sentence of this Section 6.7(a) or any Past Period Audit shall not be deemed to be carried out at the request of the Purchaser Representative and the Purchaser Representative 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 not prohibited by obligations of confidentiality contained in the License Agreement pursuant to which an inspection or audit in respect of the Purchased Royalties is conducted, [***] furnish to the Purchaser Representative any inspection or audit report prepared in connection with such inspection or audit.

(b) In the event that any inspection or audit conducted pursuant to Section 6.7(a) uncovers that the amounts actually paid to the Purchaser for any period in respect of the Purchased Royalties were greater than the amounts that should have been paid to the Purchaser for such period in respect of the Purchased Royalties, the Purchaser Representative shall cause the amount of such overpayment to be paid to the applicable Counterparty [***] after delivery to the Purchaser Representative, pursuant to Section 6.7(a), of the applicable inspection or audit report or certificate, as the case may be, showing such

overpayment. In the event that any inspection or audit conducted pursuant to Section 6.7(a) uncovers that the amounts actually paid to the Purchaser for any period in respect of the Purchased Royalties were less than the amounts that should have been paid to the Purchaser for such period in respect of the Purchased Royalties, the Seller shall cooperate and provide assistance as reasonably requested by the Purchaser Representative to cause the amount of such underpayment to be paid to the Purchaser by the applicable Counterparty in accordance with the timeframe set forth in the applicable License Agreement promptly after delivery to the Purchaser Representative, pursuant to Section 6.7(a), of the applicable inspection or audit report or certificate, as the case may be, showing such underpayment.

Section 6.8 [***].

Section 6.9 Tax Matters.

(a) 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 Purchaser Indemnified Tax is required by Applicable Law to be made, and is made, from any payment to Purchaser under this Purchase and Sale Agreement, then the Seller shall, [***] after such deduction or withholding is made, make a payment to the Purchaser so that, after all such required deductions and withholdings are made by any applicable withholding agent (including any deductions and withholdings required with respect to any additional payments under this Section 6.9(a)), the Purchaser receives an amount equal to the amount that it would have received had no withholding of such Purchaser Indemnified Taxes been made.

(b) The Seller shall notify the Purchaser Representative in writing [***] following the receipt of any written notification by any Counterparty or by an Affiliate of such Counterparty that such Counterparty intends to make any Permitted Tax Withholding. The Seller shall, upon the reasonable request of the Purchaser Representative and at the Purchaser Representative's expense, reasonably cooperate with the Purchaser Representative 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 Representative in order to allow an exemption from or reduction of any Permitted Tax Withholding.

(c) The Parties agree not to take any position that is inconsistent with the provisions of Section 2.1(b) on any Tax return or in any Tax audit or other administrative or judicial proceeding unless required by law. If there is an inquiry by any Governmental Authority of the Seller, the Purchaser or the Purchaser Representative related to the treatment described in Section 2.1(b), the Parties shall cooperate with each other in responding to such inquiry in a commercially reasonable manner that is consistent with Section 2.1(b).

(d) If a Purchaser is entitled to additional amounts pursuant to Section 6.9(a), then such Purchaser shall use commercially reasonable efforts to assign its rights and obligations hereunder to an Affiliate, if, in the reasonable judgment of such Purchaser, such assignment (i) would eliminate or reduce any additional amounts payable pursuant to Section 6.9(a) in the future and (ii) would not subject such Purchaser to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Purchaser. The Seller hereby agrees to pay all reasonable costs and expenses incurred by such Purchaser in connection with any such assignment.

Section 6.10 Existence

The Seller shall (a) preserve and maintain its existence (provided, however, that nothing in this Section 6.10 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.

Section 6.11 Novo Consent; Baxter Consent Amendment; Licensee Confirmations

(a) Following the Closing, the Seller shall use commercially reasonable efforts to obtain from Novo Nordisk an executed copy of the Novo Consent; provided that the Seller shall not agree to any material changes to the Novo Consent without the prior consent of the Purchaser Representative (not to be unreasonably withheld, conditioned or delayed). If the Seller shall fail to obtain and deliver to the Purchaser Representative an executed copy of the Novo Consent, then solely to the extent the Novo Settlement Royalties are not received by the Purchaser (other than by reason of breach or negligence by the Escrow Agent, or breach by the Purchaser Representative, under the Escrow Agreement), the Seller shall [***] make each payment to the Purchaser otherwise due to the Purchaser hereunder such that the Purchaser receives the full amount of such Novo Settlement Royalties that would have been payable to the Purchaser had such Novo Consent been obtained. Prior to the Seller's delivery of, or in the event of the failure of the Seller to obtain, an executed copy of the Novo Consent, such that delivery by the Seller to the Purchaser Representative of (a) the quarterly royalty reports made pursuant to Section 6(c)(i) of the Novo Settlement Agreement or (b) material written notices, certificates, offers, proposals, correspondence, reports or other communications delivered pursuant to the Novo Settlement Agreement relating to the Novo Settlement Agreement, the Novo Patents, the Purchased Royalties or Rebinyn would constitute a breach by the Seller of its confidentiality obligations under the Novo Settlement Agreement, the Seller shall deliver to the Purchaser Representative [***], a written summary, certified by an officer of the Seller and to the extent providing such summary is not itself a Confidentiality Breach, of all information contained in such communication that Seller reasonably believes is material (a "Material Summary"). If Seller is advised in writing by its counsel that providing the Purchaser Representative such Material Summary will constitute a breach by the Seller of its confidentiality obligations (a "Confidentiality Breach") under the Novo Settlement Agreement, then the Seller shall paraphrase or otherwise describe the substance for the Purchaser Representative of such communication to the maximum extent possible, as the Seller is advised in writing by its counsel, without causing a Confidentiality Breach under the Novo Settlement Agreement ("Permissible Summary Disclosure").

(b) Following the Closing, the Seller shall use commercially reasonable efforts to obtain from Baxter an executed copy of the Baxter Consent Amendment; provided that the Seller shall not agree to any material changes to the Baxter Consent Amendment without the prior consent of the Purchaser Representative (not to be unreasonably withheld, conditioned or delayed). If the Seller shall fail to obtain and deliver to the Purchaser Representative an executed copy of the Baxter Consent Amendment, then solely to the extent the Novo Sublicense Royalties are not received by the Purchaser (other than by reason of breach or negligence by the Escrow Agent, or breach by the Purchaser Representative, under the Escrow Agreement), the Seller shall [***] make each payment to the Purchaser otherwise due to the

Purchaser hereunder such that the Purchaser receives the full amount of such Novo Sublicense Royalties that would have been payable to the Purchaser had such Baxter Consent Amendment been obtained. Prior to the Seller's delivery of, or in the event of the failure of the Seller to obtain, an executed copy of the Baxter Consent Amendment, such that delivery by the Seller to the Purchaser Representative of (a) the quarterly royalty reports made pursuant to Section 3.6 of the Novo Sublicense Agreement or (b) material written notices, certificates, offers, proposals, correspondence, reports or other communications delivered pursuant to the Novo Sublicense Agreement relating to the Novo Sublicense Agreement, the Licensed Patents (as defined in the Novo Sublicense Agreement), the Purchased Royalties or any Licensed Product (as defined in the Novo Sublicense Agreement) would constitute a breach by the Seller of its confidentiality obligations under the Novo Sublicense Agreement, the Seller shall deliver to the Purchaser [***], a Material Summary, certified by an officer of the Seller and to the extent providing such summary is not itself a Confidentiality Breach under the Novo Sublicense Agreement, of all information contained in such communication that Seller reasonably believes is material. If Seller is advised in writing by its counsel that providing the Purchaser Representative such Material Summary will constitute a Confidentiality Breach, then the Seller shall provide a Permissible Summary Disclosure to the Purchaser Representative.

(c) Following the Closing, the Seller shall use commercially reasonable efforts to obtain from Baxter an executed copy of the Baxter Confirmation; provided that the Seller shall not agree to any material changes to the Baxter Confirmation without the prior consent of the Purchaser Representative (not to be unreasonably withheld, conditioned or delayed). If the Seller shall fail to obtain and deliver to the Purchaser Representative an executed copy of the Baxter Confirmation, then solely to the extent the Baxter Royalties are not received by the Purchaser (other than by reason of breach or negligence by the Escrow Agent, or breach by the Purchaser Representative, under the Escrow Agreement), the Seller shall [***] make each payment to the Purchaser otherwise due to the Purchaser hereunder such that the Purchaser receives the full amount of such Baxter Royalties that would have been payable to the Purchaser had the Baxter Confirmation been obtained.

(d) Following the Closing, the Seller shall use commercially reasonable efforts to obtain from AZ an executed copy of the AZ Confirmation; provided that the Seller shall not agree to any material changes to the AZ Confirmation without the prior consent of the Purchaser Representative (not to be unreasonably withheld, conditioned or delayed). If the Seller shall fail to obtain and deliver to the Purchaser Representative an executed copy of the AZ Confirmation, then solely to the extent the AZ Royalties are not received by the Purchaser (other than by reason of breach or negligence by the Escrow Agent, or breach by the Purchaser Representative, under the Escrow Agreement), the Seller shall [***] make each payment to the Purchaser otherwise due to the Purchaser hereunder such that the Purchaser receives the full amount of such AZ Royalties that would have been payable to the Purchaser had the AZ Confirmation been obtained.

ARTICLE VII

THE CLOSING

Section 7.1 Closing

The closing of the transactions contemplated hereby (the "Closing") shall take place at 9:00 a.m., Eastern Standard Time, on the tenth (10th) Business Day following the date hereof, subject to the conditions set forth in Sections 7.2 and 7.3 being satisfied (the "Closing Date") at the offices of Goodwin Procter LLP located at 100 Northern Avenue, Boston, MA 02210, or on such other date, at such other time or at such other place, in each case as the Parties mutually agree.

Section 7.2 Closing Deliverables of the Seller

(a) At the Closing, Seller shall deliver or cause to be delivered to the Purchaser the following:

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

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

(c) an opinion of Goodwin Procter LLP, substantially in the form attached hereto as Exhibit H;

(d) a duly executed counterpart to the Escrow Agreement;

(e) a certificate of an executive officer of the Seller dated as of the Closing Date and: (ii) 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, (iii) 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 (iv) 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

(f) the AZ Financing Statement, the Baxter Financing Statement and the Novo Financing Statement, to create, evidence and perfect the sale, assignment, transfer, conveyance and grant of the Purchased Royalties pursuant to Section 2.1 and the back-up security interest granted pursuant to Section 2.1(d).

Section 7.3 Closing Deliverables of the Purchaser and Purchaser Representative

At the Closing, the Purchaser Representative shall deliver or cause to be delivered to the Seller the following:

(a) the Bill of Sale duly executed by each Purchaser;

(b) a valid, true and properly executed IRS Form W-9 or applicable IRS Form W-8 (or any applicable successor form) for each Purchaser certifying that such Purchaser is exempt from United States federal withholding tax with respect to any and all payments made to such Purchaser in respect of the Purchased Royalties;

(c) counterparts to the Escrow Agreement, duly executed by each Purchaser and the Purchaser Representative;

(d) the Purchase Price in accordance with Section 2.2; and

(e) a certificate of an executive officer of the Purchaser Representative dated as of the Closing Date and setting forth the incumbency of the officer or officers of each Purchaser and the Purchaser Representative who have executed and delivered the Transaction Documents to which such

Purchaser or the Purchaser Representative is a party, including therein a signature specimen of each such officer or officers.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Indemnification by the Seller

The Seller agrees to indemnify and hold harmless the Purchaser and its Affiliates (including the Purchaser Representative) 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 or to the Purchaser Representative in writing pursuant to this Purchase and Sale Agreement, (b) any breach of or default under any covenant or agreement of the Seller in any of the Transaction Documents or License 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 Purchased Royalties because of the insolvency or other creditworthiness problems of any Counterparty or the insufficiency of the Purchased Royalties, whether as a result of the amount of cash flow arising from sales or licensing of the 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 License Agreements, (ii) for any matter in respect of which any Seller Indemnified Party would be entitled to indemnification under Section 8.2, (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 any Counterparty to perform any of its obligations under any of the License Agreements, unless resulting from the breach or default by the Seller of or under any of the License 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 8.2 Indemnification by the Purchaser

The Purchaser and the Purchaser Representative, jointly and severally, agree 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 or the Purchaser Representative in any of the Transaction Documents or any certificate delivered by the Purchaser or the Purchaser Representative 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 or the Purchaser Representative 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 or the Purchaser Representative 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 8.1 or (iii) to the extent resulting from acts or omissions of the Purchaser or the Purchaser Representative 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 and the Purchaser Representative to such Seller Indemnified Party upon demand.

Section 8.3 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 8.1 or Section 8.2, 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 8.1 or Section 8.2 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 8.3, 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 8.4 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 8.4, the Seller shall be entitled to deliver such notice of demand to the Purchaser Representative on behalf of the Seller Indemnified Parties, and the Purchaser Representative shall be entitled to deliver such notice of demand to the Seller on behalf of the Purchaser Indemnified Parties.

Section 8.5 Time Limitations

(a) The Seller shall have liability under Section 8.1 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 or the Purchaser Representative in writing pursuant to this Purchase and Sale Agreement only if the Purchaser Representative notifies the Seller of a claim, specifying the factual basis of such claim in reasonable detail:

(i) [***],

(ii) [***], and

(iii) [***].

(b) The Purchaser shall have liability under Section 8.2 with respect to any breach of any representation or warranty made by the Purchaser or the Purchaser Representative in any of the Transaction Documents or any certificate delivered by the Purchaser or the Purchaser Representative to the Seller in writing pursuant to this Purchase and Sale Agreement ([***]), only if, [***], the Seller notifies the Purchaser Representative of a claim, specifying the factual basis of such claim in reasonable detail.

Section 8.6 Exclusive Remedy

Except in the case of actual fraud, intentional misrepresentation, intentional wrongful acts, intentional breach, bad faith or willful misconduct and except as set forth in Section 11.3, 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 8.7 Limitations

Notwithstanding anything in this Purchase and Sale Agreement to the contrary, (a) 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 8.3 and (b) the Seller shall not have any liability under Section 8.1 in excess of an amount equal to TWO HUNDRED AND FORTY MILLION DOLLARS ($240,000,000) less the aggregate amount of Purchased Royalties actually received by the Purchaser. Notwithstanding the foregoing, the limitations set forth in this Section 8.7 shall not apply to any claim for indemnification hereunder in the case of actual fraud, intentional misrepresentation, intentional wrongful acts, intentional breach, bad faith or willful misconduct. 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 Purchased Royalties that the Purchaser was entitled to receive in respect of its ownership of the Purchased Royalties but did not receive timely or at all due to such indemnifiable event and (b) subject to this Section 8.7, the Purchaser shall be entitled to make indemnification claims for all such missing or delayed Purchased Royalties that the Purchaser was entitled to receive in respect of its ownership of the Purchased Royalties 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 Purchased Royalties shall not be deemed special, punitive or exemplary damages, or lost profits for any purpose of this Purchase and Sale Agreement.

ARTICLE IX

CONFIDENTIALITY

Section 9.1 Confidentiality

Except as provided in this ARTICLE VIII or otherwise agreed in writing by the Parties, the Parties agree that, during the term of this Purchase and Sale Agreement and until the seventh (7th) anniversary of the date of termination of this Purchase and Sale Agreement, each Party (the "Receiving Party") shall keep confidential, and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in this Purchase and Sale Agreement (which includes the exercise of any rights or the performance of any obligations hereunder), any information (whether written or oral, or in electronic or other form) furnished to it by or on behalf of the other Party (the "Disclosing Party") pursuant to the Existing Confidentiality Agreement (as defined below) or this Purchase and Sale Agreement, including the terms of this Purchase and Sale Agreement (such information, "Confidential Information" of the Disclosing Party), except for that portion of such information that:

(a) was already in the Receiving Party's possession on a non-confidential basis prior to its disclosure to it by the Disclosing Party, or becomes known to the Receiving Party from a source other

than the Disclosing Party and its representatives without any breach of this Purchase and Sale Agreement, in each case as evidenced by written records (provided, if such information was disclosed to the Receiving Party on a non-confidential basis by a source that is not the Disclosing Party, such source to the knowledge of the Receiving Party had the right to disclose such information to the Receiving Party without any legal, contractual or fiduciary obligation to, any person with respect to such information);

(b) is or becomes generally available to the public other than as a result of an act or omission by the Receiving Party or its Affiliates in breach of this Purchase and Sale Agreement;

(c) was independently developed by the Receiving Party, as evidenced by written records, without use of or reference to the Confidential Information or in violation of the terms of this Purchase and Sale Agreement.

Section 9.2 Termination of Confidentiality Agreement

(a) Effective upon the date hereof, the Existing Confidentiality Agreement shall terminate and be of no further force or effect, and shall be superseded by the provisions of this Article VIII.

Section 9.3 Permitted Disclosure

In the event that the Receiving Party or its Affiliates or any of its or its Affiliates' representatives are requested by a governmental or regulatory authority or required by Applicable Law, regulation or legal process (including the regulations of a stock exchange or governmental or regulatory authority or the order or ruling of a court, administrative agency or other government or regulatory body of competent jurisdiction) to disclose any Confidential Information, the Receiving Party shall promptly, to the extent permitted by Applicable Law, notify the Disclosing Party in writing of such request or requirement so that the Disclosing Party may seek an appropriate protective order or other appropriate remedy (and if the Disclosing Party seeks such an order or other remedy, the Receiving Party will provide such cooperation, at the Receiving Party's sole expense, as the Disclosing Party shall reasonably request). If no such protective order or other remedy is obtained and the Receiving Party or its Affiliates or its or its Affiliates' representatives are, in the view of their respective counsel (which may include their respective internal counsel), legally required to disclose Confidential Information, the Receiving Party or its Affiliates or its or its Affiliates' representatives, as the case may be, shall only disclose that portion of the Confidential Information that their respective counsel advises that the Receiving Party or its Affiliates or its or its Affiliates' representatives, as the case may be, are required to disclose and will exercise commercially reasonable efforts, at the Disclosing Party's sole expense, to obtain reliable assurance that confidential treatment will be accorded to that portion of the Confidential Information that is being disclosed. In any event, the Receiving Party will not oppose action by the Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information. Notwithstanding the foregoing, notice to the Disclosing Party shall not be required where disclosure is made (i) in response to a request by a governmental or regulatory authority having competent jurisdiction over the Receiving Party, its Affiliates or its or its Affiliates' representatives, as the case may be, or (ii) in connection with a routine examination by a regulatory examiner, where in each case such request or examination does not expressly reference the Disclosing Party, its Affiliates, the Purchased Royalties or this Purchase and Sale Agreement. The Receiving Party may disclose Confidential Information to its Affiliates, its and their employees, directors, officers, contractors, agents, and representatives, and to potential or actual acquirers, merger partners, permitted assignees, investment bankers, investors, limited partners, partners, lenders, or other financing sources

(including, in the case of the Seller, any party evaluating the acquisition of any portion of the Royalties that are not included in the Purchased Royalties), and their respective directors, employees, contractors and agents provided that such person or entity agrees to confidentiality and non-use obligations with respect thereto at least as stringent as those specified for in this Article VIII. Further, notwithstanding anything contained in this Article VIII to the contrary, the Seller may disclose Confidential Information to the extent such disclosure is reasonably necessary to comply with the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or with any rule, regulation or legal process promulgated by the SEC or a stock exchange, subject to the Seller's obligations set forth in Section 5.2.

Section 8.5 Other Relevant Obligations. In addition to, and without limiting, Purchaser's and Purchaser Representative's obligations under this Article VIII, Purchaser and the Purchaser Representative shall fully comply with any confidentiality obligations of the Seller or any of its Affiliates under the AZ License Agreement, the Baxter License Agreement, the Novo Sublicense Agreement, and the Novo Settlement Agreement that are applicable to the Confidential Information.

ARTICLE X

TERMINATION

Section 10.1 Termination of Agreement

This Purchase and Sale Agreement shall terminate on the earlier of (a) the Royalty Termination Date and (b) mutual written agreement of the Purchaser and the Seller.

Section 10.2 Effect of Termination

Upon the termination of this Purchase and Sale Agreement pursuant to Section 10.1, this Purchase and Sale Agreement shall become void and of no further force and effect; provided, however, that (a) the provisions of Section 6.2, ARTICLE VII, ARTICLE VIII, this ARTICLE IX and ARTICLE X shall survive such termination and shall remain in full force and effect, (b) if, upon the termination of this Purchase and Sale Agreement, any Purchased 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 10.2) solely for that purpose, and (c) nothing contained in this Section 10.2 shall relieve any Party from liability for any breach of this Purchase and Sale Agreement that occurs prior to termination.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Purchaser Representative.

(a) Each Purchaser hereby appoints and constitutes the Purchaser Representative as agent, proxy and attorney-in-fact, with full power of substitution, to act on behalf of the Purchasers for certain limited purposes, as specified herein, including the full power and authority to act on the Purchasers' behalf as provided in Section 11.1(b). The Purchasers further agree that such agency, proxy and attorney-in-fact shall be binding upon the successors, heirs, executors, administers and legal representatives of each Purchaser. All decisions, actions, consents and instructions by the Purchaser Representative shall be binding upon all of the Purchasers, and no Purchaser shall have the right to object to, dissent from, protest or otherwise contest any such decision, action, consent or instruction. The Seller shall be entitled to rely on any decision, action, consent or instruction of the Purchaser Representative as being the decision, action, consent or instruction of the Purchasers.

(b) The Purchaser Representative shall have such powers and authority as are necessary to carry out the functions assigned to it under this Purchase and Sale Agreement. Without limiting the generality of the foregoing, the Purchaser Representative shall have full power, authority and discretion to (i) consummate the transactions contemplated under the Transaction Documents; (ii) negotiate disputes arising under, or relating to, the Transaction Documents (including pursuant to Article VII hereof); (iii) receive and disburse to the Purchasers any funds received on behalf of the Purchasers under the Transaction Documents (including pursuant to Article VII hereof); (iv) withhold any amounts received on behalf of the Purchasers under this Purchase and Sale Agreement or otherwise to satisfy any and all obligations or liabilities incurred by the Purchasers or the Purchaser Representative in the performance of their duties hereunder (including pursuant Article VII hereof); (v) execute and deliver any amendment or waiver to the Transaction Documents (without the prior approval of the Purchasers); and (vi) to take all other actions to be taken by or on behalf of the Purchasers in connection with the Transaction Documents. The Purchaser Representative shall have no duties or obligations hereunder, including any fiduciary duties, except those set forth herein, and such duties and obligations shall be determined solely by the express provisions of this Purchase and Sale Agreement.

(c) The Purchaser Representative may resign at any time, and may be removed for any reason or no reason by the vote or written consent of the Purchasers. In the event of the resignation or removal of the Purchaser Representative, a new Purchaser Representative shall be appointed by the vote or written consent of the Purchasers. Notice of such vote or a copy of the written consent appointing such new Purchaser Representative shall be sent to the Seller; provided, that until such notice is received, the Seller, as applicable, shall be entitled to rely on the decisions, actions, consents and instructions of the prior Purchaser Representative as described in Section 11.1(a).

Section 11.2 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 11.3 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 Parties will have no adequate remedy at law. In such event, each Party agrees that the other Parties 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 11.4 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 e-mail 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: [***]
Email: [***]

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

Goodwin Procter LLP
100 Northern Avenue
Boston, Massachusetts 02210
Attention: Arthur McGivern; Sam Zucker
Telephone: [***]
Email: [***]

if to the Purchaser or the Purchaser Representative, to:

300 Atlantic Street, Suite 600
Stamford, CT 06901
Attention: [***]
Email: [***]

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

300 Atlantic Street, Suite 600

Stamford, CT 06901
Attention: [***]
Email: [***]

and

Gibson, Dunn & Crutcher LLP
555 Mission Street
San Francisco, CA 94105
Attention: Ryan Murr
Email: [***]

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 11.5 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 Representative, except that the Seller may, without the consent of the Purchaser Representative, 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 any License Agreement relates if such License Agreement, the 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 Representative, in form and substance reasonably satisfactory to the Purchaser Representative, to that effect. Each 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, such Purchaser shall not, without the prior written consent of the Seller, assign any of the Purchased Royalties or 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 any of the License Agreements or the Counterparty Consents that are enforceable. The Purchaser Representative may, without the consent of the Seller, assign its rights and obligations under this Purchase and Sale Agreement in full without restriction; provided, however, that, notwithstanding anything to the contrary set forth in this Purchase and Sale Agreement, (a) the Purchaser Representative shall not, without the prior written consent of the Seller, 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 any of the License Agreements or the Counterparty Consents that are enforceable and the Purchaser Representative, (b) the Purchaser Representative shall not, without the prior written consent of the Seller, assign its rights and obligations in part but not in full and (c) the Purchaser Representative shall not, without the prior written consent of the Seller, assign its rights and obligations to more than one (1) assignee, such that at all times under this Purchase and Sale Agreement, the Purchaser Representative is a single Person. Each Party shall give written notice to the other Parties of any assignment permitted by this Section 11.5 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 any Purchaser or by the Purchaser Representative. Any purported assignment of rights or delegation of obligations in violation of this Section 11.5 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, the provisions of Section 6.9 will inure to the benefit of the assigns of the Purchaser.

Section 11.6 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 11.7 Entire Agreement

This Purchase and Sale Agreement, together with the Exhibits and Schedules hereto and the other Transaction Documents, 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 any Party.

Section 11.8 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 11.8(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 11.8(b) may be served on any 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 11.4. Nothing in this Purchase and Sale Agreement will affect the right of any 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 11.9 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 10.9.

Section 11.10 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 11.11 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 11.12 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 any 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 any 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 11.13 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 and the Purchaser Representative 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.

Section 11.14 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.

{SIGNATURE PAGE FOLLOWS}

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

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/ Howard W. Robin

Name: Howard W. Robin
Title: President and Chief Executive Officer

By: /s/ Gil M. Labrucherie

Name: Gil M. Labrucherie
Title: Senior Vice President, Chief Operating Officer and Chief Financial Officer

[*Signature Page to Purchase and Sale Agreement*]

IN WITNESS WHEREOF, the Parties have executed this Purchase and Sale Agreement as of the day and year first written above.

Healthcare Royalty Partners IV, L.P.
By: HealthCare Royalty GP IV, LLC, its General Partner
By: HealthCare Royalty Management, LLC, its Investment Manager

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Authorized Signatory

HCR Potomac Fund, L.P.
By: HCR Potomac Fund GP, LLC, its General Partner
By: HealthCare Royalty Management, LLC, its Investment Manager

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Authorized Signatory

HCRP Overflow Fund, L.P.
By: HCRP Overflow Fund GP, LLC, its General Partner
By: HealthCare Royalty Management, LLC, its Investment Manager

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Authorized Signatory

HCR Canary Fund, L.P.
By: HCR Canary Fund GP, LLC, its General Partner
By: HealthCare Royalty Management, LLC, its Investment Manager

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Authorized Signatory

HCR Stafford Fund, L.P.
By: HCR Stafford Fund GP, LLC, its General Partner
By: HealthCare Royalty Management, LLC, its Investment Manager

By: /s/ Clarke B. Futch

Name: Clarke B. Futch
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Purchase and Sale Agreement as of the day and year first written above.

hcr collateral management, llc

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Authorized Signatory

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT A-1

FORM OF AZ CONFIRMATION

EXHIBIT A-2

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

FORM OF BAXTER CONFIRMATION

EXHIBIT B

FORM OF BAXTER CONSENT AMENDMENT

EXHIBIT C

FORM OF BILL OF SALE

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT D

DISCLOSURE SCHEDULE

EXHIBIT E

FORM OF NOVO CONSENT

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT F-1

AZ LICENSE AGREEMENT
EXHIBIT F-2

BAXTER LICENSE AGREEMENT
EXHIBIT F-3

NOVO SETTLEMENT AGREEMENT

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT F-4

NOVO SUBLICENSE AGREEMENT

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT G

SELLER ACCOUNT

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT H

GOODWIN OPINION

[***] Certain information in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-145259) pertaining to the 401(k) Retirement Plan of Nektar Therapeutics,
(2) Registration Statement (Form S-8 No. 333-153106) pertaining to the 2008 Equity Incentive Plan of Nektar Therapeutics,
(3) Registration Statement (Form S-8 No. 333-170371) pertaining to the Employee Stock Purchase Plan of Nektar Therapeutics,
(4) Registration Statement (Form S-8 No. 333-183193) pertaining to the 2012 Performance Incentive Plan of Nektar Therapeutics,
(5) Registration Statement (Form S-8 No. 333-197781) pertaining to the Employee Stock Purchase Plan of Nektar Therapeutics,
(6) Registration Statement (Form S-8 No. 333-206136) pertaining to the 2012 Performance Incentive Plan of Nektar Therapeutics,
(7) Registration Statement (Form S-8 No. 333-218777) pertaining to the 2017 Performance Incentive Plan of Nektar Therapeutics,
(8) Registration Statement (Form S-8 No. 333-226004) pertaining to the Amended and Restated 2017 Performance Incentive Plan of Nektar Therapeutics, and
(9) Registration Statement (Form S-8 No. 333-242327) pertaining to the Amended and Restated 2017 Performance Incentive Plan and Amended and Restated Employee Stock Purchase Plan of Nektar Therapeutics;

of our reports dated February 25, 2021, with respect to the consolidated financial statements of Nektar Therapeutics and the effectiveness of internal control over financial reporting of Nektar Therapeutics included in this Annual Report (Form 10-K) of Nektar Therapeutics for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Redwood City, California
February 25, 2021

Exhibit 31.1

CERTIFICATIONS

I, Howard W. Robin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nektar Therapeutics for the year ended December 31, 2020;

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

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

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

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

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

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

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

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

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

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

Date: February 25, 2021

/s/ HOWARD W. ROBIN

Howard W. Robin
Chief Executive Officer, President and Director

Exhibit 31.2

CERTIFICATIONS

I, Gil M. Labrucherie, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nektar Therapeutics for the year ended December 31, 2020;

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

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

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

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

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

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

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

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

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

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

Date: February 25, 2021

/s/ GIL M. LABRUCHERIE

Gil M. Labrucherie

Senior Vice President, Chief Operating Officer, and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATIONS*

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

1. The Company's Annual Report on Form 10-K, for the year ended December 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Annual Report.

Dated: February 25, 2021

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

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

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