Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 28, 2008

OR

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

For the transition period from _____ to _____.

Commission File Number: 000-04829

Nabi Biopharmaceuticals

(Exact name of registrant as specified in its charter)

Delaware	**59-1212264**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12276 Wilkins Avenue, Rockville, MD 20852
(Address of principal executive offices, including zip code)

(301) 770-3099
(Registrant's telephone number, including area code)

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 twelve 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

The number of shares outstanding of the registrant's common stock, par value $0.10 per share, at July 25, 2008 was 52,059,066 shares.

Table of Contents

Nabi Biopharmaceuticals

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Nabi Biopharmaceuticals

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	June 28, 2008	December 29, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160,550	$ 217,606
Marketable securities	—	1,600
Prepaid expenses and other current assets	1,769	2,371
Restricted cash related to discontinued operations	10,123	—
Assets of discontinued operations	1,425	4,616
Total current assets	173,867	226,193
Property and equipment, net	1,568	1,971
Other assets	313	379
Restricted cash related to discontinued operations	—	10,027
Total assets	$ 175,748	$ 238,570
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 1,048	$ 3,647
Accrued expenses and other current liabilities	4,070	7,105
Current liabilities of discontinued operations	4,294	9,548
Total current liabilities	9,412	20,300
2.875% convertible senior notes, net	40,989	71,738
Total liabilities	50,401	92,038
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock	—	—
Common stock	6,228	6,212
Capital in excess of par value	335,836	333,527
Treasury stock	(40,503)	(23,608)
Accumulated deficit	(176,214)	(169,599)
Total stockholders' equity	125,347	146,532
Total liabilities and stockholders' equity	$ 175,748	$ 238,570

See accompanying notes to condensed consolidated financial statements.

Nabi Biopharmaceuticals

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

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Operating expenses:				
General and administrative expenses	$ 2,927	$ 6,380	$ 8,060	$ 14,680
Research and development expenses	3,344	4,685	6,549	10,773
Operating loss	(6,271)	(11,065)	(14,609)	(25,453)
Interest income	1,217	1,419	3,255	2,999
Interest expense	(434)	(855)	(999)	(1,729)
Other income (expense), net	1,816	3	1,947	2
Loss from continuing operations before income taxes	(3,672)	(10,498)	(10,406)	(24,181)
Income taxes	—	—	—	(190)
Loss from continuing operations	(3,672)	(10,498)	(10,406)	(24,371)
Discontinued operations:				
Net income from discontinued operations	3,296	2,606	3,790	5,822
Net gain (loss) on disposal of discontinued operations	—	3,114	—	2,742
Income from discontinued operations	3,296	5,720	3,790	8,564
Net loss	$ (376)	$ (4,778)	$ (6,616)	$ (15,807)
Basic and diluted (loss) income per share:				
Continuing operations	$ (0.07)	$ (0.17)	$ (0.20)	$ (0.40)
Discontinued operations	0.06	0.09	0.07	0.14
Basic and diluted (loss) income per share	$ (0.01)	$ (0.08)	$ (0.13)	$ (0.26)
Basic and diluted weighted average shares outstanding	51,498	61,280	52,235	61,192

See accompanying notes to condensed consolidated financial statements.

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

	For the Six Months Ended	
	June 28, 2008	June 30, 2007
Cash flow from operating activities:		
Loss from continuing operations	$ (10,406)	$ (24,371)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities from continuing operations:		
Depreciation and amortization	291	1,000
Non-cash compensation	1,943	1,205
Gain on repurchase of convertible senior notes	(1,817)	—
Other	93	98
Changes in assets and liabilities:		
Prepaid expenses and other assets	598	(821)
Trade accounts payable, accrued expenses and other	(3,789)	(2,424)
Total adjustments	(2,681)	(942)
Net cash used in operating activities from continuing operations	(13,087)	(25,313)
Net cash (used in) provided by operating activities from discontinued operations	(517)	6,455
Net cash used in operating activities	(13,604)	(18,858)
Cash flow from investing activities:		
Purchases of marketable securities	—	(28,500)
Proceeds from sales of marketable securities	1,600	25,575
Capital expenditures	(20)	(54)
Proceeds from sales of assets	91	—
Net cash (used in) provided by investing activities from continuing operations	1,671	(2,979)
Net cash provided by investing activities from discontinued operations	2,500	3,368
Net cash provided by investing activities	4,171	389
Cash flow from financing activities:		
Proceeds from issuance of common stock for employee benefit plans	54	536
Purchase of common stock for treasury	(18,658)	—
Repurchase of convertible senior notes	(28,914)	—
Other financing activities	(82)	—
Net cash (used in) provided by financing activities from continuing operations	(47,600)	536
Net cash (used in) provided by financing activities from discontinued operations	(23)	223
Net cash (used in) provided by financing activities	(47,623)	759
Net decrease in cash and cash equivalents	(57,056)	(17,710)
Cash and cash equivalents at beginning of period	217,606	86,227
Cash and cash equivalents at end of period	$160,550	$ 68,517

See accompanying notes to condensed consolidated financial statements.

Nabi Biopharmaceuticals

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 COMPANY OVERVIEW

We are a biopharmaceutical company focused on the development of products that address unmet medical needs in the areas of nicotine addiction and infectious disease. We leverage our experience and knowledge in powering the human immune system to target serious medical conditions in these areas. Our lead products in development are NicVAX® [*Nicotine Conjugate Vaccine*], an innovative and proprietary investigational vaccine for treatment of nicotine addiction and prevention of smoking relapse, and PentaStaph™ [*Pentavalent S.aureus Vaccine*], a new pentavalent vaccine designed to prevent *S.aureus* infections including those infections caused by the most dangerous and antibiotic-resistant strains of *S.aureus*.

NicVAX and PentaStaph will require additional development, including preclinical testing and human studies for PentaStaph and additional human testing for NicVAX, as well as regulatory approvals before we can market them. We are continuing to develop NicVAX and PentaStaph while we search for partners who will assist in their further development and commercialization.

In June 2007, we sold certain assets related to Aloprim® (allopurinol sodium for Injection) Product, or Aloprim, for proceeds of $3.7 million. On December 4, 2007, we sold certain assets constituting our Biologics strategic business unit (SBU) and certain corporate shared services assets to Biotest Pharmaceuticals Corporation, or Biotest, for $185 million in cash ($10 million of which has been escrowed for valid indemnification claims asserted on or before March 31, 2009). Consequently, as of December 29, 2007, we had sold all of our marketed products, moved our corporate headquarters to Rockville, Maryland and focused our efforts on developing and partnering our NicVAX and PentaStaph products.

On January 22, 2008, we announced that we had retained Banc of America Securities LLC to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company.

We were incorporated in Delaware in 1969 and our operations are located in Rockville, Maryland.

NOTE 2 BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations and cash flows. The Condensed Consolidated Balance Sheet at December 29, 2007 has been derived from audited financial statements at that date. The interim results of operations are not necessarily indicative of the results that may occur for the full fiscal year. These statements should be read in conjunction with the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 29, 2007 filed with the Securities and Exchange Commission, or SEC, on February 28, 2008.

Principles of consolidation: The accompanying unaudited condensed consolidated financial statements include the accounts of Nabi Biopharmaceuticals and our wholly-owned subsidiaries (referred to as Nabi, the Company or We throughout this report). All significant inter-company accounts and transactions are eliminated in consolidation.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 income and expenses during the reporting period, including such amounts related to discontinued operations. Actual results could differ from those estimates.

Basis of presentation and reclassifications: Certain prior period amounts have been reclassified to conform to the current year's presentation. As discussed in Note 3, the results of operations and the assets and the liabilities related to the Biologics SBU business as well as those amounts related to the Aloprim product line have been accounted for as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," or SFAS 144. Accordingly, the results of the operations related to the Biologics SBU business and to Aloprim from prior periods have been reclassified to discontinued operations. Although we have sold substantially all assets of our corporate shared services and our vaccine manufacturing plant, we continue to reflect these expenses in continuing operations because we continue to require similar functions on an ongoing basis.

Cash and cash equivalents: Cash equivalents consist of investments in highly liquid securities with original maturities of three months or less. At June 28, 2008 cash equivalents consisted solely of money market funds. Our cash equivalents are valued using quoted market prices. We have investment policies and procedures that are reviewed periodically to minimize credit risk. Under our cash management system, checks issued but not presented to banks frequently result in book overdraft balances for accounting purposes that are classified within trade accounts payable in our Condensed Consolidated Balance Sheets. The amount of these checks included in trade accounts payable as of June 28, 2008 and December 29, 2007 was $0.3 million and $1.6 million, respectively.

Restricted cash: Restricted cash related to discontinued operations at June 28, 2008 and December 29, 2007 of $10.1 million and $10.0 million, respectively, relates to cash held in escrow plus interest to support any valid indemnification claims that may be made by Biotest related to the sale of our Biologics SBU. Any remaining balance plus interest will be released to us April 15, 2009.

New accounting pronouncements: In September 2006, the Financial Accounting Standards Board, or FASB, issued SFAS No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 157 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which gives companies the option to measure eligible financial assets, financial liabilities and firm commitments at fair value (i.e., the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes in fair value must be recorded in earnings. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We adopted SFAS 159 beginning in the first quarter of our 2008 fiscal year and currently have elected not to use the fair value option for any eligible financial assets or liabilities.

In March 2007, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements," or EITF 06-10. EITF 06-10 provides guidance to help companies determine whether a liability for the postretirement benefit associated with a collateral assignment split-dollar life insurance arrangement should be recorded in accordance with either SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (if, in substance, a post-retirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). EITF 06-10 also provides guidance on how a company should recognize and measure the asset in a collateral assignment split-dollar life insurance contract. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. We adopted EITF 06-10 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

In June 2007, the EITF issued EITF Issue 07-03, "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development," or EITF 07-03. EITF 07-03 addresses the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under EITF 07-03, an entity is required to defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. We adopted EITF 07-03 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

NOTE 3 DISCONTINUED OPERATIONS

On December 4, 2007, we sold certain assets constituting our Biologics SBU and certain corporate shared services assets to Biotest for $185 million in cash, $10 million of which was placed into an escrow account to support any valid indemnification claims made by Biotest on or before April 15, 2009. Included in the assets sold were Nabi-HB® [*Hepatitis B Immune Globulin (Human)*], our plasma business assets including nine FDA-certified plasma collection centers across the U.S., our state-of-the-art plasma protein production plant, and the investigational products, IVIG, Civacir®, Anti-D and Altastaph as well as most of our corporate shared services assets (other than cash, cash equivalents and marketable securities) and our Boca Raton, Florida headquarters and real property. We retained all accounts receivable and the vast majority of liabilities associated with the biologics business. We recorded a net gain on this sale of $78.4 million during the fourth quarter of 2007 in discontinued operations. In addition, under terms of our agreement with Biotest, until such time as Biotest receives Food and Drug Administration, or FDA, and applicable state regulatory licenses required to market and sell Nabi-HB, it may continue to operate under Nabi's FDA Licenses and certain other regulatory permits. Further, while utilizing Nabi's licenses, pending formal receipt of their required FDA Licenses and other regulatory permits, Biotest customers for Nabi-HB are making all cash payments to Nabi which will be subsequently remitted to Biotest once the required licenses are obtained. Biotest has informed us that they have filed for all the necessary licenses and regulatory permits, have received certain of the necessary licenses and regulatory permits and expect to be granted the remainder of such licenses and regulatory permits in the near future. At June 28, 2008 we recorded a payable of $1.0 million representing cash collected by us but due to Biotest under this arrangement and classified the payable as current liabilities from discontinued operations.

We also entered into the following agreements with Biotest: (i) a Transition Services Agreement pursuant to which the parties agreed to provide transition services (including services related to finance, human resources, information technologies, and clinical and regulatory) to each other for a period of up to six months after closing for a price equal to 150% of direct salary costs plus out of pocket costs, except that there will be no charge for services provided by Biotest to us through February 4, 2008, (ii) a Contract Manufacturing Agreement pursuant to which Biotest will provide manufacturing and technology transfer services related to NicVAX and PentaStaph to us at cost until December 31, 2009, (iii) a Right of First Negotiation/Refusal Agreement pursuant to

which we granted Biotest a right of first negotiation and a right of first refusal to obtain rights to utilize PentaStaph and to license the PentaStaph intellectual property that is necessary to enable Biotest to use PentaStaph solely for purposes relating to the production of Altastaph, and (iv) a Trademark License Agreement pursuant to which, we will license to Biotest the "Nabi-HB" marks on a worldwide, perpetual, royalty-free basis solely for Biotest's use in the promotion, distribution and sale of Nabi-HB. Under the Transition Services Agreement at June 28, 2008, Biotest owed us $0.3 million which is recorded as a current receivable from discontinued operations, and we owed Biotest $0.1 million which is recorded as a current payable from discontinued operations. The Transition Services Agreement expired in accordance with its terms on June 4, 2008. Notwithstanding the expiration, the parties have continued to provide certain transition services to each other under the fee structure set forth in the Transition Services Agreement.

During the second quarter of 2007, we sold certain assets related to Aloprim to Bioniche Teoranta, for aggregate sale proceeds of $3.7 million. Of that amount, $1.3 million was received at closing, $1.4 million was received in the fourth quarter of 2007 and $1.0 million is due on December 26, 2008. The buyer also assumed the remaining commitment under our agreement with DSM Pharmaceuticals, Inc. In connection with the closing of this transaction, we recorded a gain of $2.6 million during the second quarter of 2007 in discontinued operations. In the first three quarters of 2007 as originally reported, we did not treat Aloprim as a discontinued operation given its relative immateriality; however, in the fourth quarter of 2007, we reclassified these results to discontinued operations along with the Biologics SBU business.

During the fourth quarter of 2006, we sold certain assets related to our PhosLo operations. Under the sale agreement, we received $65.0 million in cash at closing and we earned and collected $13.0 million of milestone payments as of June 28, 2008, including $2.5 million received in the second quarter of 2008. We can earn up to an additional $7.5 million upon successful completion of additional milestones. In addition, the purchaser acquired product rights to a new product formulation under development and we are entitled to royalties on sales of the new product formulation over a base amount for 10 years after the closing date until total consideration paid in the transaction reaches $150 million.

The assets and liabilities related to our Biologics SBU business, Aloprim and PhosLo have identifiable cash flows that are largely independent of the cash flows of other groups of assets and liabilities and we will not have a significant continuing involvement with the related products beyond one year after the closing of the transactions. Therefore, in accordance with SFAS 144, the accompanying unaudited condensed consolidated financial statements report the assets and liabilities, and the results of operations, related to our biologics business, Aloprim and PhosLo as discontinued operations for all periods presented.

The following table presents the major classes of assets and liabilities that have been presented as assets of discontinued operations and liabilities of discontinued operations in the accompanying unaudited condensed consolidated balance sheets:

In thousands	June 28, 2008	December 29, 2007
Trade accounts receivable, net	$ —	$ 2,690
Accounts receivable due from Biotest	274	—
Restricted Cash	10,123	—
Other assets	1,151	1,926
Total current assets of discontinued operations	11,548	4,616
Restricted cash	—	10,027
Total assets of discontinued operations	$11,548	$ 14,643
Trade accounts payable	$ 145	$ 721
Accounts payable due to Biotest	1,098	295
Accrued expenses and other liabilities	3,051	8,180
Notes payable, net	—	352
Total liabilities of discontinued operations	$ 4,294	$ 9,548

The restricted cash balance relates to funds deposited by Biotest plus interest associated with the sale of our Biologics SBU business and is classified as a current asset in our Condensed Consolidated Balance Sheet since it will be released, subject to any valid claims, in April 2009. The balance of other assets at June 28, 2008 includes the remaining $1.0 million note receivable associated with the Aloprim transaction, which is due in December 2008.

Accrued expenses and other liabilities at June 28, 2008 and December 29, 2007 include $3.1 million and $4.3 million, respectively, associated with sales deductions which are detailed below:

(in thousands)	Accrued chargebacks	Accrued rebates	Accrued sales discounts	Other accrued sales deductions	Total
Balance at December 29, 2007	$ 107	$3,063	$ 717	$ 426	$ 4,313
Provision for sales	—	—	—	—	—
Actual credits utilized	(107)	(439)	(562)	(154)	(1,262)
Balance at June 28, 2008	$ —	$2,624	$ 155	$ 272	$ 3,051

NOTE 4 INCOME (LOSS) PER SHARE

Basic net income (loss) per common share is calculated using the weighted average number of common shares outstanding during the periods, excluding unvested restricted stock. Diluted net income (loss) per common share is calculated using the weighted average number of common shares and dilutive common equivalent shares outstanding during the periods, plus the effects of an assumed conversion of the Company's Convertible Senior Notes, if dilutive, after giving effect to all adjustments that would result from such assumed conversion. In periods of net loss from continuing operations, the assumed conversion of Convertible Senior Notes and stock options are anti-dilutive. The dilutive impact of stock options and restricted stock is determined by applying the treasury stock method. A total of 188,289 and 261,304 common stock equivalents have been excluded from the calculation of diluted net loss per share in the three months ended June 28, 2008 and June 30, 2007, respectively, because their inclusion would be anti-dilutive. In addition a total of 169,281 and 363,184 common stock equivalents have been excluded from the calculation of diluted net loss per share in the six months ended June 28, 2008 and June 30, 2007, respectively, because their inclusion would be anti-dilutive.

NOTE 5 COMMITMENTS AND CONTINGENCIES

During 2006, we engaged an outside consultant to assess our pricing programs under Medicare/Medicaid and other governmental pricing programs during the period from 2002 through the second quarter of 2006. In connection with this review, we identified additional liabilities related to discontinued operations for possible overbilling under Medicare/Medicaid and other governmental pricing programs, of which the remaining amounts due were approximately $2.2 million and $2.5 million, respectively at June 28, 2008 and December 29, 2007 which are included in the amounts recorded as accrued rebates. We are paying these obligations as they are rebilled to us. The calculated amount due assumes that we will be successful in rebilling ineligible entities that improperly received best prices. We believe we have properly estimated the underpaid amounts due under Medicare/Medicaid and other governmental pricing programs.

On January 22, 2008, we announced that we had retained Banc of America Securities LLC to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company. We have agreed to pay Banc of America Securities LLC 1.1% of the value of a qualifying transaction with a minimum of $1.8 million upon the successful completion of a strategic transaction as defined in our agreement with them.

We have agreements with certain members of our senior management that include certain cash payments and equity-based award modifications in the event of a termination of employment or a change in control of the Company.

Litigation

We are parties to legal proceedings that we believe to be ordinary, routine litigation incidental to the business of present or former operations. It is management's opinion, based on the advice of counsel, that the ultimate resolution of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

We announced on August 4, 2008 a settlement of an arbitration proceeding against Inhibitex, Inc., or Inhibitex, effective August 1, 2008. Under the terms of the settlement, Inhibitex agreed to pay us a total of $2.2 million, $1.7 million in connection with the execution of the settlement and $0.5 million by October 15, 2008 with 5% interest from August 1, 2008. The settlement relates to an arbitration proceeding we commenced on July 18, 2006 against Inhibitex with respect to claims by us against Inhibitex arising in connection with a Production Agreement between us and Inhibitex. On August 10, 2006, Inhibitex asserted certain counterclaims in the arbitration proceeding. The arbitrator dismissed Inhibitex's counterclaims at a hearing on January 30, 2007. On February 9, 2007, the arbitrator entered an award in our favor in the amount of $4.5 million, which we recorded as income related to discontinued operations in 2006. Subsequently, we moved to confirm the award in the Supreme Court of New York and Inhibitex moved to vacate the award. On October 11, 2007, the court issued a decision denying our petition with respect to $3.3 million in cancellation

fees, but affirmed the arbitrator's award in the amount of $1.2 million, which amount was received in January 2008. Although we have appealed the decision of the court with respect to the cancellation fees, we recorded the reversal of this income in our discontinued operations results in 2007. On January 30, 2008, the Company filed its Notice of Appeal with respect to that portion of the decision vacating the $3.3 million portion of the award. The Company filed an appeal in February 2008. The above referenced settlement effectively terminates the appeal process.

NOTE 6 INCOME TAXES

Uncertain Income Tax Positions

We file income tax returns in the U.S. federal jurisdiction, with various states and with various foreign jurisdictions. We are subject to tax audits in all jurisdictions for which we file tax returns. Tax audits by their very nature are often complex and can require several years to complete. There are currently no tax audits that have commenced with respect to income returns in any jurisdiction.

Federal: Under the tax statute of limitations applicable to the Internal Revenue Code, we are no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years before 2003. However, because we are carrying forward income tax attributes, such as net operating losses and tax credits from 2002 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future.

State: Under the statutes of limitation applicable to most state income tax laws, we are no longer subject to state income tax examinations by tax authorities for years before 2003 in states in which we have filed income tax returns. Certain states may take the position that we are subject to income tax in such states even though we have not filed income tax returns in such states and, depending on the varying state income tax statutes and administrative practices, the statute of limitations in such states may extend to years before 2003.

Foreign: We began foreign operations in 2004. We are subject to foreign tax examinations by tax authorities for all such years of operation.

Other Income Tax Disclosures

Consistent with 2007, we recorded a valuation allowance against all of our deferred tax assets at June 28, 2008. As a result of this valuation allowance, we expect our full year effective tax rate for continuing operations to be approximately 0.0%. During the fourth quarter of 2007, we recorded a gain of approximately $78.4 million on the Biologics SBU business sale in discontinued operations, net of an estimated tax liability of approximately $1.3 million related to federal and state alternative minimum tax.

Under Section 382 of the Internal Revenue Code of 1986, as amended, or Section 382, certain significant changes in ownership may restrict the future utilization of our tax loss carryforwards. The annual limitation is equal to the value of our stock immediately before the ownership change, multiplied by the long-term tax-exempt rate (i.e., the highest of the adjusted federal long-term rates in effect for any month in the three-calendar-month period ending with the calendar month in which the change date occurs). Based upon preliminary calculations, we estimate that the utilization of pre-Section 382 ownership change tax losses for federal income tax purposes would be limited to approximately $14.2 million per year. As a result, federal net operating losses may expire before we are able to fully utilize them. As we have recorded a full valuation allowance against our net deferred tax assets, there is no current impact of this limitation for financial reporting purposes. A more detailed calculation will be prepared once we have taxable income reportable under federal and state laws.

NOTE 7 SUPPLEMENTAL FAIR VALUE DISCLOSURES

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS 157 as of the beginning of the first quarter of our 2008 fiscal year for financial instruments. Although the adoption of SFAS 157 did not materially impact the Company's financial position or results of operations, the Company is now required to provide additional disclosures as part of its financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs other than level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

All cash and cash equivalents are recorded at fair market value at June 28, 2008. The inputs used in measuring the fair value of these instruments are considered to be Level 1 in accordance with the SFAS 157 fair value hierarchy. The fair market values are based on period-end statements supplied by the various banks and brokers that held the majority of the Company's funds deposited in institutional money market mutual funds with the reminder held in regular interest bearing and non-interest bearing depository accounts with commercial banks.

NOTE 8 CONVERTIBLE SENIOR NOTES

In May 2008, we repurchased $31.6 million of our Convertible Senior Notes. We paid $29.0 million which included the principal payment of $31.6 million and accrued interest of $0.1 million, net of a discount of $2.7 million. As a result of this transaction, we recorded a gain of $1.8 million after accounting for $0.9 of amortized issue costs and discount pertaining to the original issue of the Convertible Senior Notes in 2005. We recorded the $1.8 million gain in other income (expense), net in our Condensed Consolidated Statements of Operations.

NOTE 9 SHARE REPURCHASE

On December 6, 2007, our Board of Directors approved the repurchase of up to $65 million of our common stock in the open market or in privately negotiated transactions. This share repurchase program includes the $3.1 million outstanding balance from the $5.0 million share repurchase program we announced in 2001. In the second quarter of 2008 the Company did not purchase any shares under the share repurchase program. As the purchase of treasury shares are accounted for on the trade date, the settlement of trades executed in the fourth quarter of 2007 which were settled in the first quarter of 2008 increased the cash used to purchase treasury shares in the first six months of the year by $1.8 million to $18.7 million as reported in the Condensed Consolidated Statement of Cash Flows. Since the inception of the program through June 28, 2008, we have acquired a total of 9.5 million shares for a total cost of $35.2 million. At June 28, 2008, $29.8 million remains available for share repurchases under the current authorization. Repurchased shares have been accounted for as treasury stock using the cost method.

NOTE 10 STOCK BASED COMPENSATION

Stock Options

A summary of option activity under our stock plans as of June 28, 2008, and the changes during the first six months of 2008 is presented below:

Options	Number of Options
Outstanding at December 29, 2007	6,207,678
Granted	610,250
Exercised	(111,756)
Forfeited	(152,709)
Expired	(2,304,358)
Outstanding at June 28, 2008	4,249,105
Exercisable at June 28, 2008	2,829,705

We recognized $0.4 million and $1.0 million of expense related to stock option awards in the three and six month periods ending June 28, 2008, respectively. We recognized $0.6 million and $1.0 million of expense related to stock option awards in the three and six month periods ending June 30, 2007, respectively.

We granted 610,250 options during the first half of 2008 with a calculated average fair value of $2.43. The grants included options to purchase 390,250 shares which become exercisable over four years in equal annual installments after the date of grant and options to purchase 220,000 shares granted to our outside directors and corporate secretary which vest over one year in equal quarterly installments. We estimated the fair value of each stock option on the date of grant using a Black-Scholes option-pricing formula, applying the following assumptions and amortize expense over the option's vesting period using the straight-line attribution approach:

Expected term (in years)	4.50 – 6.29
Risk-free interest rate	2.48% - 3.45%
Expected volatility	73.3% - 76.4%
Expected dividend yield	0.0%

Expected Term: The expected term represents the period over which the share-based awards are expected to be outstanding based on the historical experience of our employees.

Risk-Free Interest Rate: The Company based the risk-free interest rate used in the assumptions on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the stock option award's expected term.

Expected Volatility: The volatility factor used in the assumptions is based on the historical price of our stock over the most recent period commensurate with the expected term of the stock option award.

Expected Dividend Yield: We do not intend to pay dividends on common stock for the foreseeable future. Accordingly, we used a dividend yield of zero in the assumptions.

Restricted Stock

A summary of our restricted stock awards as of June 28, 2008 and the changes during the first six months of 2008 is presented below:

	Number of Shares
Nonvested at December 29, 2007	582,793
Granted	195,700
Vested	(276,207)
Forfeited	(18,359)
Nonvested at June 28, 2008	483,927

We recognized $0.2 million and $0.9 million of expense related to restricted stock awards in the three and six month periods ending June 28, 2008, respectively. We recognized $0.1 million and $0.2 million of expense related to restricted stock awards in the three and six month periods ending June 30, 2007, respectively.

During the first half of 2008, we granted 195,700 restricted shares with a calculated average fair value of $3.94, of which 138,700 shares vest over four years in equal installments after the date of grant, 50,000 shares vest immediately and 7,000 shares vest in one year from the date of grant.

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

The following is a discussion and analysis of the major factors contributing to our financial condition and results of operations for the three and six months ended June 28, 2008 and June 30, 2007. The discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto.

OVERVIEW

We are a biopharmaceutical company focused on the development of products that address unmet medical needs in the areas of nicotine addiction and infectious disease. We leverage our experience and knowledge in powering the human immune system to target serious medical conditions in these areas. Our lead products in development are NicVAX® [*Nicotine Conjugate Vaccine*], an innovative and proprietary investigational vaccine for treatment of nicotine addiction and prevention of smoking relapse, and PentaStaph™ [*Pentavalent S.aureus Vaccine*], a new pentavalent vaccine designed to prevent *S.aureus* infections including those infections caused by the most dangerous and antibiotic-resistant strains of *S.aureus*.

NicVAX and PentaStaph will require additional development, including preclinical testing and human studies for PentaStaph and additional human testing for NicVAX, as well as regulatory approvals before we can market them. We are continuing to develop NicVAX and PentaStaph while we search for partners who will assist in their further development and commercialization.

In June 2007, we sold certain assets related to Aloprim® (allopurinol sodium for Injection) Product, or Aloprim, for proceeds of $3.7 million. On December 4, 2007, we sold certain assets constituting our Biologics Strategic Business Unit (SBU) and certain corporate shared services assets to Biotest for $185.0 million in cash ($10.0 million of which has been escrowed for valid indemnification claims asserted on or before April 15, 2009). Consequently, as of December 29, 2007, we had sold all of our marketed products, moved our corporate headquarters to Rockville, Maryland and focused our efforts on developing and partnering our NicVAX and PentaStaph products.

On January 22, 2008, we announced that we had retained Banc of America Securities LLC to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company.

RESULTS OF OPERATIONS

For all periods shown, the results from the Biologics SBU business, as well as Aloprim and PhosLo product lines have been reclassified as discontinued operations. Refer to Note 3 in the accompanying unaudited condensed consolidated financial statements.

FOR THE THREE MONTHS ENDED JUNE 28, 2008 AND JUNE 30, 2007

General and administrative expense. General and administrative expense was $2.9 million for the second quarter of 2008 compared to $6.4 million for the comparable 2007 period. The decrease of $3.5 million reflects the reduced scale of our operations following the sale of our Biologics SBU and our continued efforts to reduce overall infrastructure costs.

Research and development expense. Research and development expense was $3.3 million for the second quarter of 2008 compared to $4.7 million for the comparable 2007 period. The decrease of $1.4 million is primarily due to reduced overhead costs as we have re-aligned our business to focus on our remaining product candidates as well as reduced spending on NicVAX compared to the second quarter of our 2007 fiscal year. Total research and development expenses are expected to increase for the full year of 2008 as compared to 2007 with the planned initiation of our Phase III clinical program for NicVAX later this year.

Interest income. Interest income was $1.2 million and $1.4 million for the second quarters of 2008 and 2007, respectively. The decrease in interest income is the result of generally prevailing lower interest rates for our investments in money market funds in the second quarter of 2008 as compared to the second quarter of 2007, offset by an increase in our average cash balance due to the sale of the Biologics SBU in the fourth quarter of 2007.

Interest expense. Interest expense was $0.4 million and $0.9 million for the second quarters of 2008 and 2007, respectively. The decrease in interest expense reflects the impact of the repurchase of $38.8 million par value Convertible Senior Notes in December 2007 at a discount of $4.7 million and the repurchase of $31.6 million par value Convertible Senior Notes in May 2008 at a discount of $2.7 million.

Other income (expenses), net. Other income includes $1.8 million gained on the repurchase of our Convertible Senior Notes in the second quarter of 2008.

Income taxes. During 2008 and consistent with 2007, we recorded a full valuation allowance against all net deferred tax assets. As a result of this valuation allowance, the effective tax rate for continuing operations for both years is approximately 0%.

FOR THE SIX MONTHS ENDED JUNE 28, 2008 AND JUNE 30, 2007

General and administrative expense. General and administrative expense was $8.1 million for the first six months of 2008 compared to $14.7 million for the comparable 2007 period. The decrease of $6.6 million reflects the reduced scale of our operations following the sale of our Biologics SBU and our continued efforts to reduce overall infrastructure costs. Included in the first quarter of 2007 were severance-related charges of $1.6 million associated with the resignation of the Company’s former President and Chief Executive Officer. General and administrative expenses are expected to continue to decline over the remainder of 2008 compared to the same period in 2007 as the transition of our corporate shared services functions to a smaller staff in Rockville, Maryland is completed.

Research and development expense. Research and development expense was $6.5 million for the first six months of 2008 compared to $10.8 million for the comparable 2007 period. The decrease of $4.3 million is primarily due to reduced overhead costs as we have re-aligned our business to focus on our remaining product candidates as well as reduced spending on NicVAX compared to the first six months of our 2007 fiscal year. Total research and development expenses are expected to increase for the full year of 2008 as compared to 2007 with the planned initiation of our Phase III clinical program for NicVAX later this year.

Interest income. Interest income was $3.3 million and $3.0 million for the first six months of 2008 and 2007, respectively. The increase in interest income is the result of an increase in our average cash balance due to the sale of the Biologics SBU in the fourth quarter of 2007 offset by generally prevailing lower interest rates for our investments in money market funds in the first six months of 2008 as compared to the first six months of 2007.

Interest expense. Interest expense was $1.0 million and $1.7 million for the first six months of 2008 and 2007, respectively. The decrease in interest expense reflects the impact of the repurchase of $38.8 million par value Convertible Senior Notes in December 2007 at a discount of $4.7 million and the repurchase of $31.6 million par value Convertible Senior Notes in May 2008 at a discount of $2.7 million.

Other income (expenses), net. Other income includes $1.8 million gained on the repurchase of our Convertible Senior Notes in the second quarter of 2008.

Income taxes. During 2008 and consistent with 2007, we recorded a full valuation allowance against all net deferred tax assets. As a result of this valuation allowance, the effective tax rate for continuing operations for both years is approximately 0%.

DISCONTINUED OPERATIONS

On December 4, 2007, we sold certain assets constituting our Biologics SBU and certain corporate shared services assets to Biotest for $185.0 million in cash, $10.0 million of which was placed into an escrow account to support any valid indemnification claims made by Biotest on or before April 15, 2009. Included in the assets sold were Nabi-HB® [*Hepatitis B Immune Globulin (Human)*], our plasma business assets including nine FDA-certified plasma collection centers across the U.S., our state-of-the-art plasma protein production plant, and the investigational products, IVIG, Civacir®, Anti-D and Altastaph as well as most of our corporate shared services assets (other than cash, cash equivalents and marketable securities) and our Boca Raton, Florida headquarters and real property. We retained all accounts receivable and the vast majority of liabilities associated with the biologics business. We recorded a net gain on this sale of $78.4 million during the fourth quarter of 2007 in discontinued operations. In addition, under terms of our agreement with Biotest, until such time as Biotest receives FDA and applicable state regulatory licenses required to market and sell Nabi-HB it may continue to operate under Nabi's FDA Licenses and certain other regulatory permits. Further, while utilizing Nabi's licenses, pending formal receipt of their required FDA Licenses and other regulatory permits, Biotest customers for Nabi-HB are making all cash payments to Nabi which will be subsequently remitted to Biotest once the required licenses are obtained. Biotest has informed us that they have filed for all the necessary licenses and regulatory permits, have received certain of the necessary licenses and regulatory permits and expect to be granted the remainder of such licenses and regulatory permits in the near future. At June 28, 2008 we recorded a payable of $1.0 million representing cash collected by us but due Biotest under this arrangement and classified the payable as current liabilities from discontinued operations.

We also entered into the following agreements with Biotest: (i) a Transition Services Agreement pursuant to which the parties agreed to provide transition services (including services related to finance, human resources, information technologies, and clinical and regulatory) to each other for a period of up to six months after closing for a price equal to 150% of direct salary costs plus out of pocket costs, except that there will be no charge for services provided by Biotest to us through February 4, 2008, (ii) a Contract Manufacturing Agreement pursuant to which Biotest will provide manufacturing and technology transfer services related to NicVAX and PentaStaph to us at cost until December 31, 2009, (iii) a Right of First Negotiation/Refusal Agreement pursuant to which we granted Biotest a right of first negotiation and a right of first refusal to obtain rights to utilize PentaStaph and to license the PentaStaph intellectual property that is necessary to enable Biotest to use PentaStaph solely for purposes relating to the production of Altastaph, and (iv) a Trademark License Agreement pursuant to which, we will license to Biotest the "Nabi-HB" marks on a worldwide, perpetual, royalty-free basis solely for Biotest's use in the promotion, distribution and sale of Nabi-HB. Under the Transition Services Agreement at June 28, 2008, Biotest owed us $0.3 million which is recorded as a current receivable from discontinued operations, and we owed Biotest $0.1 million which is recorded as a current payable from discontinued operations. The Transition Services Agreement expired in accordance with its terms on June 4, 2008. Notwithstanding the expiration, the parties have continued to provide certain transition services to each other under the fee structure set forth in the Transition Services Agreement.

During the second quarter of 2007, we sold certain assets related to Aloprim to Bioniche Teoranta, for aggregate sale proceeds of $3.7 million. Of that amount, $1.3 million was received at closing, $1.4 million was received in the fourth quarter of 2007 and $1.0 million is due on December 26, 2008. The buyer also assumed the remaining commitment under our agreement with DSM Pharmaceuticals, Inc. In connection with the closing of this transaction, we recorded a gain of $2.6 million during the second quarter of 2007 in discontinued operations. In the first three quarters of 2007 as originally reported, we did not treat Aloprim as a discontinued operation given its relative immateriality; however, in the fourth quarter of 2007, we reclassified these results to discontinued operations along with the Biologics SBU business.

During the fourth quarter of 2006, we sold certain assets related to our PhosLo operations. Under the sale agreement, we received $65.0 million in cash at closing and we earned and collected $13.0 million of milestone payments as of June 28, 2008, including $2.5 million received in the second quarter of 2008. We can earn up to an additional $7.5 million upon successful completion of additional milestones. In addition, the purchaser acquired product rights to a new product formulation under development and we are entitled to royalties on sales of the new product formulation over a base amount for 10 years after the closing date until total consideration paid in the transaction reaches $150 million.

The assets and liabilities related to our Biologics SBU business, Aloprim and PhosLo have identifiable cash flows that are largely independent of the cash flows of other groups of assets and liabilities and we will not have a significant continuing involvement with the related products beyond one year after the closing of the transactions. Therefore, in accordance with SFAS 144, the accompanying unaudited condensed consolidated financial statements report the assets and liabilities, and the results of operations, related to our biologics business, Aloprim and PhosLo as discontinued operations for all periods presented.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and marketable securities at June 28, 2008 totaled $160.6 million compared to $219.2 million at December 29, 2007. This decline is primarily the result of the payment of $28.9 million for the repurchase of $31.6 million par value Convertible Senior Notes in May 2008, the payment of $18.7 million in the settlement of treasury stock purchases in the first quarter of 2008 and the funding of our net loss of $6.6 million during the first two quarters of 2008. Included in the $160.6 million balance of cash, cash equivalents and marketable securities is $1.0 million representing cash collected from sales of Nabi-HB that will be remitted to Biotest.

Cash used in operating activities from continuing operations for the six months ended June 28, 2008 was $13.1 million, compared to $25.3 million for the six months ended June 30, 2007. The decrease in cash used was primarily associated with our reduction in operating costs. Cash used in operating activities of discontinued operations for the six months ended June 28, 2008 was $0.5 million, relating to the net of cash payments and collections resulting from the sale of our Biologics SBU business in December 2007.

Cash provided by investing activities from continuing operations for the six months ended June 28, 2008 was $1.7 million, consisting largely of net proceeds from the sale of marketable securities. Cash provided by investing activities from discontinued operations for the six months ended June 28, 2008 was $2.5 million, consisting of a milestone payment in May 2008 related to the sale of the PhosLo operations.

On December 6, 2007, our Board of Directors approved the buyback of up to $65 million of our common stock in the open market or in privately negotiated transactions. This share repurchase program includes the $3.1 million outstanding balance from the $5.0 million share repurchase program we announced in 2001. In the first quarter of 2008 the Company purchased 4.5 million shares at a cost of $16.9 million with an average cost per share of $3.72. As the purchase of treasury shares are accounted for on the trade date, the settlement of trades executed in the fourth quarter of 2007 which were settled in the first quarter of 2008 increased the cash used to purchase Treasury shares in the first six months of the year by $1.8 million to $18.7 million as reported in the Condensed Consolidated Statement of Cash Flows. Since the inception of the program through June 28, 2008, we have acquired a total of 9.5 million shares for a total cost of $35.2 million. At June 28, 2008, $29.8 million remains available for share repurchase under the current authorization. Repurchased shares have been accounted for as treasury stock using the cost method.

On April 19, 2005, we issued $100.0 million of Convertible Senior Notes through a private offering to qualified institutional buyers as defined under Rule 144A of the Securities Act of 1933, as amended, or the Securities Act. On May 13, 2005, the initial purchasers exercised $12.4 million of their option to purchase additional Convertible Senior Notes to cover over allotments. A $3.4 million discount was granted to the initial purchasers and an additional $0.3 million in deferred charges were recorded for professional fees related to the issuance. Net cash proceeds from the offering totaled $108.7 million. In December 2007 we repurchased $38.8 million of our Convertible Senior Notes in two transactions for a total of $34.1 million resulting in a net gain of $3.6 million and in May 2008 we repurchased an additional $31.6 million of our Convertible Senior Notes resulting in a net gain of $1.8 million recorded in other income. Interest on our Convertible Senior Notes is payable on each April 15 and October 15, beginning October 15, 2005. We can redeem our Convertible Senior Notes at 100% of their principal amount, plus accrued and unpaid interest, any time on or after April 18, 2010. Holders of our Convertible Senior Notes may require us to repurchase our Convertible Senior Notes for 100% of their principal amount, plus accrued and unpaid interest, on April 15, 2010, April 15, 2012, April 15, 2015 and April 15, 2020, or following the occurrence of a fundamental change as defined in the indenture agreement governing the Notes. We may continue to repurchase our Convertible Senior Notes in the open market or in privately negotiated transactions.

On December 7, 2004, we filed a shelf registration statement on Form S-3 with the SEC. This registration statement will permit us, from time to time, to offer and sell up to $175 million of equity or debt securities. If we elect to sell securities under this registration statement, we anticipate using net proceeds from such sales to provide additional funds for general corporate purposes, including but not limited to clinical trials, research, development and marketing expenses, and new acquisition and licensing costs.

On January 22, 2008, we announced that we had retained Banc of America Securities LLC to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company. We have agreed to pay Banc of America Securities LLC 1.1% of the value of a qualifying transaction with a minimum of $1.8 million upon the successful completion of a strategic transaction as defined in our agreement with them.

We believe cash and cash equivalents on hand at June 28, 2008 will be sufficient to meet our anticipated cash requirements for operations and debt service for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES

We believe that the following policies and estimates are critical because they involve significant judgments, assumptions and estimates. We have discussed the development and selection of our critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (including with respect to discontinued operations) at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development Expense

Except for advance payments made for services, research and development costs are expensed as incurred. We use our research and development resources, including employees, equipment and facilities, across multiple drug development programs. In circumstances where we receive grant income which is a reimbursement to research and development costs incurred, we record the income as an offset to the related expense.

Equity-Based Compensation

Effective January 1, 2006, we adopted, using the modified-prospective transition method, the fair value recognition provisions of SFAS 123R and related interpretations. SFAS 123R covers a wide range of share-based compensation arrangements including stock options, restricted share plans, and employee stock purchase plans.

In applying SFAS 123R, the value of each equity-based award is its fair market value at the date of grant, with the fair market value of options estimated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model takes into account volatility in the price of our stock, the risk-free interest rate, the estimated life of the equity-based award, the closing market price of our stock and the exercise price. We base our estimates of our stock price volatility on our historical stock price over the most recent period commensurate with the expected term of the equity-based award; however, this estimate is neither predictive nor indicative of the future performance of our stock. The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those awards expected to vest. We recorded $1.9 million and $1.2 million of stock based employee compensation expense in the first six months of 2008 and 2007, respectively.

Liabilities of discontinued operations

We have sold a number of assets and businesses over the last several years and have, on occasion, provided indemnification for liabilities relating to product liability, and other claims. In addition, we have retained certain liabilities related to products sold through the disposal date. We have recorded reserves related to these obligations when appropriate. If actual experience deviates from our estimates, we may need to record adjustments to these liabilities in future periods. We have a $10.1 million restricted cash balance as of June 28, 2008 which will be utilized to settle valid indemnification claims made by Biotest related to the sale of our biologics business. As of June 28, 2008, Biotest had not asserted any indemnification claims.

As of June 28, 2008, we have accrued liabilities in discontinued operations related to accrued rebates, accrued sales discounts and other accrued sales deductions of $3.1 million. Our estimates of these liabilities are subject to the inherent limitations of estimates that rely on third-party data, as certain third-party information may itself rely on estimates and reflect other limitations. Refer to Note 3 for further information on our liabilities for sales deductions.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 157 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities which gives companies the option to measure eligible financial assets, financial liabilities and firm commitments at fair value (i.e., the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes in fair value must be recorded in earnings. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We adopted SFAS 159 beginning in the first quarter of our 2008 fiscal year and currently have not elected to use the fair value option for any eligible financial assets or liabilities.

In March 2007, the EITF issued Issue 06-10, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements. EITF 06-10 provides guidance to help companies determine whether a liability for the postretirement benefit associated with a collateral assignment split-dollar life insurance arrangement should be recorded in accordance with either SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, (if, in substance, a postretirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). EITF 06-10 also provides guidance on how a company should recognize and measure the asset in a collateral assignment split-dollar life insurance contract. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. We adopted EITF 06-10 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

In June 2007, the EITF issued Issue 07-03, Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development. EITF 07-03 addresses the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under EITF 07-03, an entity would defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. We adopted EITF 07-03 beginning in the first quarter of our 2008 fiscal year and it did not have a material impact to our financial position or results of operations.

FORWARD LOOKING STATEMENTS

Statements in this Quarterly Report that are not strictly historical are forward-looking statements and include statements about products in development, clinical studies, research and development expenditures, cash requirements and alliances and partnerships. You can identify these forward-looking statements because they involve our expectations, beliefs, projections, anticipations, or other characterizations of future events or circumstances. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ materially from those in the forward-looking statements as a result of any number of factors. These factors include, but are not limited to, risks relating to our ability to: successfully partner with third parties to fund, develop, manufacture and/or commercialize our products in development; initiate and conduct clinical studies; raise sufficient new capital resources to fully develop and commercialize our products in development; attract, retain and motivate key employees; collect further milestone and royalty payments under the PhosLo Agreement; obtain regulatory approval for our products in the U.S. or other markets; successfully contract with a third party manufacturer for the manufacture and supply of NicVAX and PentaStaph; and comply with reporting and payment obligations under government rebate and pricing programs; and raise additional capital on acceptable terms, or at all. These factors are more fully discussed, as are other factors, in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 filed with the SEC on February 28, 2008. We do not undertake to update any of these forward-looking statements or to announce the results of any revisions to these forward-looking statements except as required by law.

Item 4. Controls and Procedures

We sold our Biologics SBU as well as the corporate support services (including all of the finance department) which were located in Boca Raton, Florida to Biotest in December 2007, and relocated our corporate headquarters to Rockville, Maryland. As a result of this transaction and subsequent relocation, our finance and accounting staff resigned in December 2007 and our Chief Financial Officer resigned at the end of the first quarter 2008. On May 7, 2008, our Chief Executive Officer was appointed Acting Chief Financial Officer. In light of these resignations, we relied on Biotest (under the terms of our Transition Services Agreement with Biotest) and other external financial consultants to provide the majority of our internal accounting functions during the first six months of 2008.

As of the end of the period covered by this Quarterly Report, management performed, with the participation of our Chief Executive Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934, as amended, or the Exchange Act, Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, management, including our Chief Executive Officer, has concluded that as of June 28, 2008, the Company's disclosure controls and procedures were effective.

Management has identified changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the second quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including:

- the appointment of our Chief Executive Officer as Acting Chief Financial Officer; and
- changes in personnel of our external financial consultants (including Bethesda Financial Group LLC and Biotest) on whom we continue to rely to provide a significant part of our internal accounting functions.

Additionally, our procedures and internal controls over our significant financial and accounting processes, such as cash disbursements, purchasing and accounts payable, marketable securities and related interest earnings, stock-based compensation, and our financial statement closing process (including the preparation and processing of journal entries), have changed since year end. The changes have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are in the process of, but have not yet completed, our internal documentation of all the changes in our internal control over financial reporting.

To specifically address the changes identified in our internal control over financial reporting as of June 28, 2008, we developed and performed additional substantive procedures during our quarter closing process. Management believes that these additional procedures provide reasonable assurance that that our condensed consolidated financial statements as of and for the six month and three month periods ended June 28, 2008, are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met, and therefore no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. We do not expect that our disclosure controls and procedures or our internal control over financial reporting are able to prevent all errors and all fraud.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are parties to legal proceedings that we believe to be ordinary, routine litigation incidental to the business of present or former operations. It is management's opinion, based on the advice of counsel, that the ultimate resolution of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

We announced on August 4, 2008 a settlement of an arbitration proceeding against Inhibitex effective August 1, 2008. Under the terms of the settlement, Inhibitex agreed to pay us a total of $2.2 million, $1.7 million in connection with the execution of the settlement and $0.5 million by October 15, 2008 with 5% interest from August 1, 2008. The settlement relates to an arbitration proceeding we commenced on July 18, 2006 against Inhibitex with respect to claims by us against Inhibitex arising in connection with a Production Agreement between us and Inhibitex. On August 10, 2006, Inhibitex asserted certain counterclaims in the arbitration proceeding. The arbitrator dismissed Inhibitex's counterclaims at a hearing on January 30, 2007. On February 9, 2007, the arbitrator entered an award in our favor in the amount of $4.5 million, which we recorded as income related to discontinued operations in 2006. Subsequently, we moved to confirm the award in the Supreme Court of New York and Inhibitex moved to vacate the award. On October 11, 2007, the court issued a decision denying our petition with respect to $3.3 million in cancellation fees, but affirmed the arbitrator's award in the amount of $1.2 million, which amount was received in January 2008. Although we have appealed the decision of the court with respect to the cancellation fees, we recorded the reversal of this income in our discontinued operations results in 2007. On January 30, 2008, the Company filed its Notice of Appeal with respect to that portion of the decision vacating the $3.3 million portion of the award. The Company filed an appeal in February 2008. The above referenced settlement effectively terminates the appeal process.

We remain committed to protecting our intellectual property and will take all appropriate steps to vigorously protect our patent rights.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors included in our 2007 Form 10-K for the year ended December 29, 2007 filed on February 28, 2008.

Item 4. Submission of Matters to a vote of Security Holders

The following matters were approved at our annual stockholders' meeting, which was held on May 7, 2008.

A. The election to the Board of Directors of the following nominees:

Name of Director Nominee	For	Withheld
Jason M. Aryeh	43,511,973	2,969,107
David L. Castaldi	43,666,350	2,814,730
Geoffrey F. Cox, Ph.D.	43,672,541	2,808,539
Peter B. Davis	43,709,156	2,771,924
Raafat E.F. Fahim, Ph.D	45,742,747	738,333
Richard A. Harvey, Jr.	43,501,076	2,980,004
Leslie Hudson, Ph.D.	43,655,913	2,825,167
Linda Jenkes	43,489,070	2,992,010
Timothy P. Lynch	43,679,218	2,801,862
Stephen G. Sudovar	43,505,546	2,975,534

B. The ratification of the appointment of Ernst & Young LLP as the Company's independent registered accounting firm for the 2008 fiscal year.

For	Against	Abstain
45,998,289	235,414	247,368

Item 5. Other Information

On July 31, 2008, the Company amended the Rights Agreement dated August 1, 1997 between the Company and American Stock Transfer & Trust Company, or the Rights Agreement, to extend the expiration date by one year. The rights issued under the Rights Agreement, as amended, will now expire on the final expiration date of August 1, 2009.

Item 6. Exhibits

4.1 Fourth Amendment to Rights Agreement by Nabi Biopharmaceuticals and American Stock Transfer & Trust Company dated July 31, 2008

10.1 Employment Agreement between Nabi Biopharmaceuticals and Paul Kessler dated as of May 1, 2008

31.1 Rule 13a-14(a)/15d-14(a) Certification

32.1 Section 1350 Certification

Nabi Biopharmaceuticals

SIGNATURES

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

Nabi Biopharmaceuticals

Date: August 6, 2008

By: /s/ Raafat E.F. Fahim, Ph.D.
Raafat E.F. Fahim, Ph.D.
President, Chief Executive Officer and acting Chief Financial Officer

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
4.1	Fourth Amendment to Rights Agreement by Nabi Biopharmaceuticals and American Stock Transfer & Trust Company dated July 31, 2008
10.1	Employment Agreement between Nabi Biopharmaceuticals and Paul Kessler dated as of May 1, 2008
31.1	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification

EXHIBIT 4.1

FOURTH AMENDMENT TO RIGHTS AGREEMENT

THIS FOURTH AMENDMENT TO RIGHTS AGREEMENT (this "Amendment") is made as of this 31st day of July, 2008 by and between Nabi Biopharmaceuticals, a Delaware corporation (the "Company"), and American Stock Transfer & Trust Company, as rights agent (the "Rights Agent").

WHEREAS, the Company entered into that certain Rights Agreement with Registrar and Transfer Company, the Rights Agent's predecessor-in-interest, dated August 1, 1997, as subsequently amended (the "Rights Agreement");

WHEREAS, the Company wishes to amend the Rights Agreement as set forth herein and in accordance with Section 27 thereof; and

WHEREAS, the Board of Directors of the Company authorized and approved this amendment on July 1, 2008;

NOW, THEREFORE, in consideration of the foregoing and of other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 7 of the Rights Agreement is hereby amended by deleting the date "August 1, 2008" set forth therein and inserting "August 1, 2009" in lieu thereof.
2. The Form of Rights Certificate attached to the Rights Agreement as Exhibit B is hereby amended by deleting all references to the date "August 1, 2008" set forth therein and inserting "August 1, 2009" in lieu thereof.
3. The Rights Agreement, as amended by this Amendment, shall remain in full force and effect.
4. This Amendment may be executed in two or more counterparts, each of which shall together constitute one and the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties herein have caused this Amendment to be duly executed and attested, all as of the date and year first above written.

NABI BIOPHARMACEUTICALS

By: /s/ Raafat E.F. Fahim, Ph.D.
Name: Raafat E.F. Fahim, Ph.D.
Title: Chief Executive Officer

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: /s/ Herbert J. Lemmer
Name: Herbert J. Lemmer
Title: Vice President

EXHIBIT 10.1

NABI BIOPHARMACEUTICALS
12276 WILKINS AVENUE
ROCKVILLE, MD 20852

May 1, 2008

Paul Kessler, M.D.
10604 Avonlea Hills Court
Hagerstown, MD 21742

Dear Paul:

You have agreed to serve as Senior Vice President Clinical, Medical and Regulatory Affairs of Nabi Biopharmaceuticals ("Nabi") which term for purposes of this Agreement shall include controlled affiliates of Nabi Biopharmaceuticals. The following are the terms of such employment:

1. **TERM:** You will serve as Senior Vice President Clinical, Medical and Regulatory Affairs for a period beginning on the date hereof and ending on April 30, 2011, or the date on which your employment is sooner terminated as provided below (the "Employment Period"). Upon expiration of the Employment Period or any extension pursuant to this sentence, it shall be automatically extended for an additional three-year period unless either party gives to the other written notice not less than thirty (30) days prior to the end of the Employment Period that it or he does not wish to extend the term of this Agreement. In the event that your employment by Nabi continues beyond the Employment Period, the terms and conditions of this Agreement shall continue except that your continued employment by Nabi may be terminated by either party upon thirty (30) days' prior notice unless you and Nabi shall have entered into a written agreement to the contrary.

2. **SALARY:** Your salary will be $290,000 per year, payable in accordance with the usual payroll practices of Nabi during the Employment Period. Your salary will be subject to discretionary annual increases as determined by Nabi's Board of Directors or the Compensation Committee thereof.

3. **BONUS:** You will be entitled to participate in Nabi's VIP Management Incentive Program or any comparable bonus plan maintained by Nabi (the "Bonus Plan"). Your target bonus under the plan will be at least fifty-five percent (55%) of your base salary as of the end of the end of the applicable Bonus Plan year. Your participation in the Bonus Plan shall be subject to the terms and conditions of the Bonus Plan. Payments, if applicable, under the Bonus Plan shall be payable by the fifteenth (15^{th}) day of the third month after the end of the relevant calendar year.

4. **SERP:** Annually during the Employment Period, Nabi shall pay you $12,000, grossed up for taxes, so that you can make a contribution to your Supplemental Executive Retirement Plan (the "SERP") and provide you at Nabi's cost with term life insurance of $500,000 in excess of the term life insurance coverage Nabi provides to its employees generally.

5. **DUTIES AND EXTENT OF SERVICES:**

(A) During the Employment Period, you agree to devote substantially all of your working time, and such energy, knowledge, and efforts as is necessary to the discharge and performance of your duties provided for in this Agreement and such other reasonable duties and responsibilities consistent with your position as are assigned to you from time to time by the person to whom you report. You shall be located primarily in Nabi's Maryland headquarters facilities, but shall travel to other locations from time to time as shall be reasonably required in the course of performance of your duties.

(B) You shall have such duties as are delegated to you by the person to whom you report provided that such duties shall be reasonably consistent with those duties assigned to executive officers having similar titles in organizations comparable to Nabi.

6. **TERMINATION:**

(A) You may terminate the Employment Period (a) thirty (30) days after you provide written notice of termination to Nabi, (b) by your death or (c) upon your written notice to Nabi that of "Good Reason," which is defined as any material breach of this Agreement by Nabi, or the occurrence of any one or more of the following without your prior express written consent: (i) a material diminution in your authority, duties or responsibilities, (ii) a requirement that you report to any person or entity other than Nabi's Chief Executive Officer, or (iii) a change of more than twenty-five (25) miles in your primary office location from Nabi's Rockville, Maryland facility; provided, however, that a termination for Good Reason by you can occur only if (x) you have given Nabi written notice of the existence of a condition giving rise to Good Reason within ninety (90) days after you learn of such condition, (y) Nabi not fully cured the condition giving rise to Good Reason within thirty (30) days after receipt of such notice, and (z) you provide written notice to Nabi of your termination for Good Reason within ninety (90) days after the end of such 30-day period.

(B) Nabi may terminate the Employment Period (a) in the event Nabi reasonably determines that you are unable to perform the essential functions of your position, with or without reasonable accommodation, for any three (3) consecutive months as the result of mental or physical incapacity or (b) for "Cause," which is defined as (i) acts of fraud or embezzlement or other felonious acts by you, (ii) your refusal to comply with reasonable directions in connection with the performance of your duties as provided for in Section 5 of this Agreement after notice of such failure is delivered to you, (iii) failure to comply with the provisions of Section 9 or 10 of this Agreement or (iv) your gross negligence or intentional misconduct in connection with the performance of your duties as provided for in this Agreement including your failure to comply with the written policies of Nabi, provided that, in the event of a proposed termination under clause (ii) or clause (iv) of this clause (B), you shall receive ten (10) days' prior written notice of such proposed termination and within such period you shall be afforded an opportunity to be heard by Nabi's Board of Directors or a duly appointed committee of the Board as to whether grounds for termination under these clauses exists.

(C) Nabi may otherwise terminate the Employment Period upon thirty (30) days' prior notice to you.

(D) Your confidentiality and non-competition agreements set forth in Sections 8 and 9 below and your agreement to cooperate set forth in Section 10 below shall survive the termination of your employment regardless of the reasons therefor.

7. **SEVERANCE:**

(A) In the event that your employment terminates (a) pursuant to Section 6(C) (termination without Cause), (b) pursuant to Section 6(A)(c) (termination for Good Reason) or (c) upon or following the expiration of the Employment Period if Nabi has given notice of non-extension pursuant to Section 1, you shall receive the benefits set forth in Sections 7(B), 7(C), 7(D) and 7(E). In the event your employment terminates pursuant to Section 6(B)(a) (incapacity), or as a result of your death, you shall receive the benefits set forth in Section 7(E). Notwithstanding the foregoing provisions of this Section 7(A), in the event your employment terminates under circumstances that entitle you to receive compensation and other benefits pursuant to the Change of Control Severance Agreement dated August 21, 2007 between you and Nabi (the "Change of Control Severance Agreement"), you shall not receive the benefits set forth in Section 7(B), 7(C), 7(D) and 7(E).

(B) Subject to Section 7(A), Nabi will pay you your base salary as of the date of such termination ("Severance Pay") and maintain in effect your benefits under Section 4 of this Agreement and such other benefits provided by Nabi to you as of the date of such termination to the extent that Nabi continues to maintain those benefits for other similarly situated employees (to the extent allowed under, and subject to the limitations of, applicable plans) for eighteen (18) months. Severance Pay shall be made in accordance with the usual payroll practices of Nabi.

(C) Subject to Section 7(A), Nabi shall pay for executive outplacement services up to $18,000 by an organization selected by Nabi in its sole discretion.

(D) Subject to Section 7(A), if the Employment Period ends during a calendar year, Nabi shall pay you incentive compensation under the Bonus Plan for such calendar year pro rated based upon the number of days you were employed during the calendar year and the amount of bonus compensation that would have been payable with respect to such year pursuant to the Bonus Plan.

(E) Subject to Section 7(A), all of your non-vested stock options, restricted stock or similar incentive equity instruments (collectively, "Equity Awards") shall immediately vest, except the Equity Awards granted to you on February 24, 2006 and any Equity Awards under Nabi's 2000 Employee Stock Purchase Plan which shall vest in accordance with their terms and not the terms of this Agreement. All vested Equity Awards (including those with accelerated vesting pursuant to the preceding sentence) shall be exercisable for twelve (12) months past your termination date, except that no Equity Award shall be exercisable beyond the original Equity Award's expiration date. To the extent the terms of any Equity Award are inconsistent with this Agreement, the terms of this Agreement shall control.

(F) All payments or benefits to you under this Section 7 (other than payments or benefits already accrued and otherwise due under Nabi's employee benefit plans or programs, or as a result of your death) will not be given unless you execute (and do not rescind) a written employment termination agreement in a form prescribed by Nabi, containing terms consistent with this Agreement as well as a general release of all claims against Nabi and related parties with respect to all matters occurring prior to or on the date of the release, including (but not limited to) employment matters or matters in connection with your termination.

(G) Notwithstanding the foregoing, to the extent that the payments to be provided under this Section 7 constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), payable on account of your separation from service within the meaning of Code Section 409A(a)(2)(A)(i), and you are a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) determined in accordance with Treasury Reg. § 1.409-1(i) (or its successor provisions), such payments otherwise due during the six-month period commencing on your separation shall be accumulated and paid on the first regular payroll date for employees following such six-month period; provided, however, that no amount payable only upon an "involuntary separation from service" within the meaning of Treasury Reg. § 1.409A-1(n) that does not exceed the dollar limit set forth in Treasury Reg. §1.409A-1(b)(9)(iii) shall be subject to such six-month deferral.

8. **CONFIDENTIALITY:**

(A) You acknowledge that your duties with Nabi will give you access to trade secrets and other confidential information of Nabi (which for purposes of this Section 8 shall be deemed to include its subsidiaries), including but not limited to information concerning production and marketing of their respective products, customer lists, and other information relating to their present or future operations (all of the foregoing, whether or not it qualifies as a "trade secret" under applicable law, is collectively called "Confidential Information"). You recognize that Confidential Information is proprietary to Nabi and gives Nabi significant competitive advantage.

(B) Accordingly, you shall not use or disclose any of the Confidential Information during or after the Employment Period, except for the sole and exclusive benefit of the relevant company. Upon any termination of the Employment Period, you will return to Nabi's offices all documents, computer electronic information and files, e.g., diskettes, floppies etc. and other tangible embodiments of any Confidential Information. You agree that Nabi would be irreparably injured by any breach of your confidentiality agreement, that such injury would not be adequately compensable by monetary damages, and that, accordingly, Nabi may specifically enforce the provisions of this Section by injunction or similar remedy by any court of competent jurisdiction without affecting any claim for damages.

9. **NON-COMPETITION:**

(A) You acknowledge that your services to be rendered are of a special and unusual character and have a unique value to Nabi the loss of which cannot adequately be compensated by damages in an action at law. In view of the unique value of the services, and because of the Confidential Information to be obtained by or disclosed to you, and as a material inducement to Nabi to enter into this Agreement and to pay to you the compensation referred to above and other consideration provided, you covenant and agree that, while you are employed by Nabi and for a period of one (1) year after termination of such employment for any reason whatsoever, you will not, directly or indirectly, (a) engage or become interested, as owner, employee, consultant, partner, through stock ownership (except ownership of less than five percent of any class of equity securities which are publicly traded), investment of capital, lending of money or property, rendering of services, or otherwise, either alone or in association with others, in the operations, management or supervision of any type of business or enterprise engaged in any business which is competitive with any business of Nabi (a "Competitive Business"), (b) solicit or accept orders from any current or past customer of Nabi for products or services offered or sold by, or competitive with products or services offered or sold by, Nabi, (c) induce or attempt to induce any such customer to reduce such customer's purchase of products or services from Nabi, (d) disclose or use for the benefit of any Competitive Business the name and/or requirements of any such customer or (e) solicit any of Nabi's employees to leave the employ of Nabi or hire or negotiate for the employment of any employee of Nabi. By way of clarification, a "Competitive Business" is not any business or enterprise in the health care industry; it is only a business or enterprise in the health care industry that is competitive with any business of Nabi. Notwithstanding the foregoing, nothing contained in this Section 9(A) shall be deemed to prohibit you from being employed by or providing services to a Competitive Business following a "Change of Control" (as defined in the Change of Control Agreement) and termination of your employment if (i) the nature of such employment or services do not involve or compete with any business engaged in by Nabi immediately prior to the Change of Control or (ii) such employment or services are rendered to the company that was involved in the Change of Control by acquiring stock or assets of Nabi or merging or consolidating with Nabi or any Affiliate (as defined below) of that company. As used in this Agreement, an "Affiliate" of a company means an entity controlled by, controlling or under common control with that company.

(B) You have carefully read and considered the provisions of this Section 9 and Section 8 and having done so, agree that the restrictions set forth (including but not limited to the time period of restriction and the world wide areas of restriction) are fair and reasonable (even if termination is at our request and without cause) and are reasonably required for the protection of the interests of Nabi, its officers, directors, and other employees. You acknowledge that upon termination of this Agreement for any reason, it may be necessary for you to relocate to another area, and you agree that this restriction is fair and reasonable and is reasonably required for the protection of the interests of Nabi, their officers, directors, and other employees.

(C) In the event that, notwithstanding the foregoing, any of the provisions of this Section 9 or Section 8 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though invalid or unenforceable parts had not been included therein. In the event that any provision of this Section 9 relating to time period and/or areas of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or areas such court deems reasonable and enforceable, said time period and/or areas of restriction shall be deemed to become, and thereafter be, the maximum time period and/or area which such court deems reasonable and enforceable.

(D) With respect to the provisions of this Section 9, you agree that damages, by themselves, are an inadequate remedy at law, that a material breach of the provisions of this Section 9 would cause irreparable injury to the aggrieved party, and that provisions of this Section 9 may be specifically enforced by injunction or similar remedy in any court of competent jurisdiction without affecting any claim for damages.

10. **LITIGATION AND REGULATORY COOPERATION:** During and after your employment with Nabi, you shall reasonably cooperate with Nabi in the defense or prosecution of any claims now in existence or which may be brought in the future against or on behalf of Nabi which relate to events or occurrences that transpired while you were employed by Nabi; provided, however, that such cooperation shall not materially and adversely affect you or expose you to an increased probability of civil or criminal litigation. Your cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of Nabi at mutually convenient times. During and after your employment with Nabi, you also shall cooperate fully with Nabi in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while you were employed by Nabi. Nabi shall reimburse you for all out-of-pocket costs and expenses incurred in connection with your performance under this Section 10, including, but not limited to, reasonable attorneys' fees and costs.

11. **CHANGE OF CONTROL SEVERANCE AGREEMENT:**

(A) You and Nabi hereby agree that your Change of Control Severance Agreement dated April 1, 2005 with Nabi was superceded and terminated by the Change of Control Severance Agreement.

(B) You and Nabi further agree that the Change of Control Severance Agreement is hereby amended by deleting Section 5(d) thereof in its entirety and substituting the following in lieu thereof:

"A "Change of Control" shall be deemed to have taken place if (i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities; (ii) (A) a reorganization, merger or consolidation, in each case, with respect to which persons who were shareholders of the Corporation immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities or (B) a liquidation or dissolution of the Corporation approved by the shareholders of the Corporation in accordance with Delaware law; (iii) as the result of a tender offer, exchange offer, merger, consolidation, sale of assets or contested solicitation of proxies or stockholder

consents or any combination of the foregoing transactions (a "Transaction"), the persons who were directors of the Corporation immediately before the Transaction shall cease to constitute a majority of the Board of Directors of the Corporation or of any parent of or successor to the Corporation immediately after the Transaction occurs; or (iv) the execution of an exclusive out-licensing and partnering arrangement with one or more partners involving all or substantially all of the Corporation's NicVAX® rights and assets."

(C) You and Nabi agree that the Change of Control Severance Agreement is hereby further amended by deleting the last sentence of Section 1 thereof in its entirety and substituting the following in lieu thereof:

"Notwithstanding the foregoing, to the extent that the payments to be provided under this Section 8 constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), payable on account of your separation from service within the meaning of Code Section 409A(a)(2)(A)(i), and you are a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) determined in accordance with Treasury Reg. § 1.409-1(i) (or its successor provisions), such payments otherwise due during the six-month period commencing on your separation shall be accumulated and paid on the first regular payroll date for employees following such six-month period; provided, however, that no amount payable only upon an "involuntary separation from service" within the meaning of Treasury Reg. § 1.409A-1(n) that does not exceed the dollar limit set forth in Treasury Reg. §1.409A-1(b)(9)(iii) shall be subject to such six-month deferral."

12. **MISCELLANEOUS:**

(A) This Agreement and the rights and obligations of the parties pursuant to it and any other instruments or documents issued pursuant to it shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, exclusive of its choice-of-law principles. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns. The provisions of this Agreement shall be severable and the illegality, unenforceability or invalidity of any provision of this Agreement shall not affect or impair the remaining provisions hereof, and each provision of this Agreement shall be construed to be valid and enforceable to the full extent permitted by law. In any suit, action or proceeding arising out of or in connection with this Agreement, the prevailing party shall be entitled to receive an award of the reasonable related amount of attorneys' fees and disbursements incurred by such party, including fees and disbursements on appeal. This Agreement**,** the Change of Control Severance Agreement, the Indemnification Agreement dated May 22, 2007 and the Invention, Non-Competition and Non-Disclosure Agreement dated March 23, 2005 (the "Invention Agreement") are a complete expression of all agreements of the parties relating to the subject matter hereof, and all prior or contemporaneous oral or written understandings or agreements shall be null and void except to the extent set forth in this Agreement. In the event of any conflict between this Agreement and the Invention Agreement, this terms of this Agreement shall control.

(B) It is the intent of you and Nabi that the provisions of this Agreement and all amounts payable to you hereunder meet the requirements of Section 409A of the Code, to the extent applicable to this Agreement and such payments, and the Agreement shall be interpreted and construed in a manner consistent with such intent.

(C) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the party to be charged therewith. All notices required and allowed hereunder shall be in writing, and shall be deemed given upon deposit in the Certified Mail, Return Receipt Requested, first-class postage and registration fees prepaid, and correctly addressed to the party for whom intended at its address set forth under its name below, or to such other address as has been most recently specified by a party by one or more counterparts, each of which shall constitute one and the same agreement. All references to genders or number in this Agreement shall be deemed interchangeably to have a masculine, feminine, neuter, singular or plural meaning, as the sense of the context required.

If the foregoing confirms your understanding of our agreements, please so indicate by signing in the space provided below and returning a signed copy to us.

NABI BIOPHARMACEUTICALS

By: /s/ Raafat Fahim, Ph.D.
Raafat Fahim, Ph.D.
Chief Executive Officer and President

Date: May 1, 2008

Accepted and agreed to:

/s/ Paul Kessler, M.D.
Paul Kessler, M.D.
10604 Avonlea Hills Court
Hagerstown, MD 21742

Date: May 1, 2008

Exhibit 31.1

Nabi Biopharmaceuticals

CERTIFICATIONS

Rule 13a-14(a)/15d-14(a) CERTIFICATION

I, Raafat E.F. Fahim, Ph.D., certify that:

1. I have reviewed this report on Form 10-Q of Nabi Biopharmaceuticals;
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. I am 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 me 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 my 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; and
5. 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 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 could 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: August 6, 2008

By: /s/ Raafat E.F. Fahim, Ph.D.
Raafat E.F. Fahim, Ph.D.
President, Chief Executive Officer and acting Chief Financial Officer

EXHIBIT 32.1

Nabi Biopharmaceuticals

SECTION 1350 CERTIFICATION

The undersigned officer of Nabi Biopharmaceuticals, or the Company, hereby certifies that, as of the date of this statement, the Company's report on Form 10-Q for the quarter ended June 28, 2008, or the Report, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that, to the best of his knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of June 28, 2008 and the results of operations of the Company for the three and six months ended June 28, 2008.

The purpose of this certification is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002. This statement is not "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Act or any other federal or state law or regulation.

Date: August 6, 2008

By: /s/ Raafat E.F. Fahim, Ph.D.
Name: Raafat E.F. Fahim, Ph.D.
Title: President, Chief Executive Officer and acting Chief Financial Officer