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

# FORM 10-Q

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

**For the quarterly period ended September 29, 2007**

**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.)** |

**5800 Park of Commerce Boulevard N.W., Boca Raton, FL 33487**
**(Address of principal executive offices, including zip code)**

**(561) 989-5800**
**(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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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 November 5, 2007 was 61,158,924 shares.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Nabi Biopharmaceuticals**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**(In thousands)**

| | September 29, 2007 | December 30, 2006 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 78,040 | $ 86,227 |
| Marketable securities | 21,725 | 32,500 |
| Trade accounts receivable, net | 14,313 | 20,377 |
| Inventories, net | 18,693 | 19,260 |
| Prepaid expenses and other current assets | 5,036 | 3,459 |
| Assets of discontinued operations | 227 | 13,341 |
| **Total current assets** | 138,034 | 175,164 |
| Property, plant and equipment, net | 83,083 | 88,329 |
| Intangible assets, net | 1,216 | 1,683 |
| Other, net | 1,521 | 701 |
| **Total assets** | $ 223,854 | $ 265,877 |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Trade accounts payable | $ 7,323 | $ 7,998 |
| Accrued expenses | 20,005 | 16,095 |
| Capital lease obligations, net | 67 | 291 |
| Liabilities of discontinued operations | 3,623 | 20,554 |
| **Total current liabilities** | 31,018 | 44,938 |
| 2.875% convertible senior notes, net | 109,441 | 109,313 |
| Other liabilities | 245 | 238 |
| **Total liabilities** | 140,704 | 154,489 |
| **Commitments and contingencies** | | |
| **Stockholders' equity:** | | |
| Convertible preferred stock | — | — |
| Common stock | 6,190 | 6,149 |
| Capital in excess of par | 330,628 | 327,228 |
| Treasury stock | (5,321) | (5,321) |
| Accumulated deficit | (248,347) | (216,668) |
| **Total stockholders' equity** | 83,150 | 111,388 |
| **Total liabilities and stockholders' equity** | $ 223,854 | $ 265,877 |

*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 Nine Months Ended | |
|---|---|---|---|---|
| | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| **Revenues** | $ 20,110 | $ 19,634 | $ 64,731 | $ 59,525 |
| Cost of products sold | 14,694 | 15,428 | 41,181 | 44,310 |
| **Gross margin** | 5,416 | 4,206 | 23,550 | 15,215 |
| Selling, general and administrative expense | 8,915 | 10,366 | 27,503 | 33,365 |
| Research and development expense | 12,932 | 10,240 | 32,035 | 27,901 |
| **Operating loss** | (16,431) | (16,400) | (35,988) | (46,051) |
| Interest income | 1,444 | 908 | 4,443 | 2,916 |
| Interest expense | (923) | (937) | (2,727) | (2,796) |
| Other income (expense), net | 9 | (54) | 2,569 | 329 |
| **Loss from continuing operations before income taxes** | (15,901) | (16,483) | (31,703) | (45,602) |
| Income taxes | — | 162 | (190) | 162 |
| **Loss from continuing operations** | (15,901) | (16,321) | (31,893) | (45,440) |
| Net income (loss) from discontinued operations | 27 | (5,492) | 212 | (9,274) |
| **Net loss** | $ (15,874) | $ (21,813) | $ (31,681) | $ (54,714) |
| **Basic and diluted (loss) income per share:** | | | | |
| Continuing operations | $ (0.26) | $ (0.27) | $ (0.52) | $ (0.75) |
| Discontinued operations | 0.00 | (0.09) | 0.00 | (0.15) |
| **Basic and diluted loss per share** | $ (0.26) | $ (0.36) | $ (0.52) | $ (0.90) |
| **Basic and diluted weighted average shares outstanding** | 61,382 | 61,185 | 61,256 | 60,830 |

*See accompanying notes to condensed consolidated financial statements.*

**Nabi Biopharmaceuticals**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(in thousands)**

| | For the Nine Months Ended | |
|---|---|---|
| | September 29, 2007 | September 30, 2006 |
| **Cash flow from operating activities:** | | |
| Loss from continuing operations | $ (31,893) | $ (45,440) |
| Adjustments to reconcile loss from continuing operations to net cash used in operating activities from continuing operations: | | |
| Depreciation and amortization | 6,115 | 5,593 |
| Provision for slow moving or obsolete inventory | 239 | 1,082 |
| Non-cash compensation | 2,478 | 5,007 |
| Gain on sale of assets, net | (2,557) | — |
| Loss on disposal of fixed assets, net | 44 | 452 |
| Tax benefit on stock options exercised | — | (162) |
| Other | 149 | (328) |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 6,042 | 8,473 |
| Inventories | (313) | (2,513) |
| Prepaid expenses and other current assets | (188) | (184) |
| Other assets | 28 | 146 |
| Accounts payable and accrued expenses | 3,242 | (4,053) |
| Total adjustments | 15,279 | 13,513 |
| Net cash used in operating activities from continuing operations | (16,614) | (31,927) |
| Net cash used in operating activities from discontinued operations | (6,187) | (6,023) |
| **Net cash used in operating activities** | (22,801) | (37,950) |
| **Cash flow from investing activities:** | | |
| Purchases of marketable securities | (29,475) | (68,075) |
| Proceeds from sales of marketable securities | 40,250 | 40,322 |
| Proceeds from sale of assets, net of closing costs | 1,300 | 8 |
| Capital expenditures | (784) | (2,145) |
| Net cash provided by (used in) investing activities from continuing operations | 11,291 | (29,890) |
| Net cash provided by investing activities from discontinued operations | 2,582 | — |
| **Net cash provided by (used in) investing activities** | 13,873 | (29,890) |
| **Cash flow from financing activities:** | | |
| Repayments of capital leases | (224) | (116) |
| Proceeds from exercise of employee stock options | 673 | 1,238 |
| Net cash provided by financing activities from continuing operations | 449 | 1,122 |
| Net cash provided by (used in) financing activities from discontinued operations | 292 | (3,024) |
| **Net cash provided by (used in) financing activities** | 741 | (1,902) |
| **Net decrease in cash and cash equivalents** | (8,187) | (69,742) |
| **Cash and cash equivalents at beginning of period** | 86,227 | 101,762 |
| **Cash and cash equivalents at end of period** | $ 78,040 | $ 32,020 |

*See accompanying notes to condensed consolidated financial statements.*

**Nabi Biopharmaceuticals**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

NOTE 1 COMPANY OVERVIEW

We leverage our experience and knowledge in powering the immune system to develop and, in certain areas, market products that target serious medical conditions in the areas of hepatitis and transplants, gram positive bacterial infections and nicotine addiction. We are a vertically integrated company with sales of antibodies and other biologics, including Nabi-HB® [Hepatitis B Immune Globulin (Human)], a pipeline of products in various stages of development, a state-of-the-art manufacturing capability and a cash position that will allow us to advance our near-term pipeline products. We operate through two strategic business units ("SBUs"): Biologics and Pharmaceuticals. The Biologics SBU has responsibility for our marketed product Nabi-HB, a spectrum of plasma products from its nine plasma centers and a development pipeline, including human plasma proteins and antibody products. The Pharmaceuticals SBU is responsible for the vaccine product development pipeline that targets significant unmet medical needs, including NicVAX® [Nicotine Conjugate Vaccine], our innovative vaccine for smoking cessation, and StaphVAX®, our vaccine against *Staphylococcus aureus*. NicVAX is nearing the end of an important Phase 2b clinical trial which has shown long term efficacy in smoking cessatation in statistically significant numbers of treated subjects. The Pharmaceuticals SBU also holds the right to receive up to an additional $75 million in milestone and royalty payments related to our divestiture of PhosLo® (calcium acetate) in 2006.

We are incorporated in Delaware. We maintain our commercial and manufacturing operations in Boca Raton, Florida, a network of nine plasma centers in seven states, and our research and development operations in Rockville, Maryland.

On September 11, 2007, we entered into an asset purchase agreement with Biotest AG and Biotest Pharmaceuticals Corporation ("Biotest") to sell our Biologics SBU and certain of our corporate shared services ("CSS") assets to Biotest for $185 million. Please see Note 3 for further information regarding this transaction (the "Biologics SBU sale"). On November 8, 2007, our shareholders approved the transaction, which we anticipate will close by the end of the year.

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 30, 2006 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 30, 2006 filed with the Securities and Exchange Commission on March 15, 2007.

*Principles of consolidation*: The accompanying unaudited condensed consolidated financial statements include the accounts of Nabi Biopharmaceuticals and our wholly-owned subsidiaries. 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 revenues and expenses during the reporting period. 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.

*New accounting pronouncements*: Effective December 31, 2006, we adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation Number 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48. See Note 9 for further details.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. We plan to adopt SFAS No. 157 beginning in the first quarter of our 2008 fiscal year. We are currently evaluating the impact the adoption of SFAS No. 157 may have on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159, 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 No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are in the process of evaluating the impact, if any, of adopting this pronouncement.

In June 2007, the Emerging Issues Task Force ("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 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 plan to adopt EITF 07-03 beginning in the first quarter of our 2008 fiscal year. We are currently evaluating the impact the adoption of EITF 07-03 may have on our financial position and results of operations.

NOTE 3 ASSET PURCHASE AGREEMENT WITH BIOTEST

On September 11, 2007, we entered into an asset purchase agreement with Biotest to sell our Biologics SBU and certain of our CSS assets to Biotest for $185 million. On November 8, 2007, our shareholders approved the transaction, which we anticipate will close by the end of the year. Included in the assets to be sold are Nabi-HB and other plasma business assets, including Nabi's state-of-the-art plasma protein production plant, nine FDA-certified plasma collection centers across the U.S., and investigational products, IVIG, Civacir® , anti-D and Altastaph. The asset sale will also include most of our CSS assets (other than cash and cash equivalents) and our Boca Raton, Florida headquarters and real properties. We will retain all cash, cash equivalents and accounts receivable, our Rockville, Maryland facility, which will become our new corporate headquarters, and our Pharmaceuticals SBU, including NicVAX and StaphVAX. We also will retain the right to receive up to an additional $75 million in milestone and royalty payments related to the divestiture of PhosLo in November 2006. The significant assets associated with the Biologics SBU sale included on our unaudited condensed consolidated balance sheet as of September 29, 2007 are as follows:

| (In thousands) | September 29, 2007 |
|---|---|
| Inventories, net | $ 18,693 |
| Property, plant and equipment | 81,033 |
| Intangible assets, net | 1,216 |
| **Total** | $ 100,942 |

Nabi will be retaining all accounts receivable and the vast majority of liabilities associated with the Biologics SBU. Upon closing, we expect to record a gain of approximately $75 million in discontinued operations in our condensed consolidated statement of operations. This gain is net of an estimated tax liability of approximately $4 million related to alternative minimum tax and income taxes in certain state jurisdictions, as well as a non-cash charge of approximately $3 million related to modifications to stock-based compensation benefits that are discussed in further detail below. Proceeds of $10 million will be held in escrow to support any indemnification claims that may be made by Biotest following the closing and will not be released until April 2009. Our inventory balance is subject to a purchase price adjustment if the inventory falls below certain minimum levels.

The asset purchase agreement may be terminated by either Biotest or us if the closing has not occurred by March 31, 2008, or upon the occurrence of certain specified events. In addition, if the asset purchase agreement is terminated because of a determination by our board of directors to accept an acquisition proposal that is a "Superior Transaction" as defined in the asset purchase agreement, we have agreed to pay Biotest a termination fee of $8.5 million. The asset purchase agreement provides that the closing is subject to certain closing conditions, including, but not limited to, approval of the transaction by holders of at least a majority of our outstanding shares of common stock, consents, if required, to the assignment of specified material contracts, the expiration of the waiting period under the Hart-Scott-Rodino Act and certain other specified conditions.

The asset purchase agreement also provides that, at closing, we will enter into the following agreements with Biotest: (i) a Transition Services Agreement pursuant to which the parties will agree 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, (ii) a Contract Manufacturing Agreement pursuant

to which Biotest will provide manufacturing and technology transfer services related to NicVAX and StaphVAX until December 31, 2009 to us at cost, (iii) a Right of First Negotiation/Refusal Agreement pursuant to which we will grant Biotest a right of first negotiation and a right of first refusal to obtain rights to utilize StaphVAX and to license the StaphVAX intellectual property that is necessary to enable Biotest to use StaphVAX solely for purposes relating to 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.

As a result of receiving shareholder approval on November 8, 2007, the results of operations, assets and liabilities related to the Biologics SBU and certain CSS assets will be accounted for as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in the fourth quarter of 2007. We intend to reclassify the Aloprim product line to discontinued operations as well. Refer to Note 4 for further information regarding the Aloprim disposal. The following is the summarized financial information of these operations:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands) | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| Revenues | $ 20,110 | $ 19,634 | $ 64,731 | $ 59,525 |
| Operating (loss) income | (5,593) | (1,819) | 302 | 365 |
| Net (loss) income | (5,519) | (1,788) | 2,860 | 282 |

All of our revenue producing activities relate to these disposal groups, consequently all revenues and gross margins will be included in discontinued operations in the fourth quarter of 2007. Below is our pro forma operating loss, loss from continuing operations and loss from continuing operations per share data, had we classified these groups as discontinued operations in our current financial statements.

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands, except per share data) | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| Operating loss | $ (10,838) | $ (14,581) | $ (36,290) | $ (46,416) |
| Loss from continuing operations | (10,382) | (14,533) | (34,753) | (45,722) |
| Loss from continuing operations per share | (0.17) | (0.24) | (0.57) | (0.75) |

On September 20, 2007, our board of directors approved certain compensation-related actions in connection with the pending asset sale to Biotest. The compensation-related actions apply to all employees of the Biologics SBU and the Boca Raton-based CSS employees who remain employees of Nabi through the closing of the transaction and (i) who are offered employment with Biotest, accept the employment offer and resign as an employee of Nabi, or (ii) who do not become employed by Biotest and are terminated by Nabi without cause in connection with the transaction (the "Affected Employees"). For all Affected Employees the board approved:

- The acceleration of vesting of all unvested stock options held by Affected Employees on the closing of the transaction and the amendment to all outstanding options held by Affected Employees to extend on the closing of the transaction the post-termination of employment exercise period from 90 days to six months.
- The acceleration of vesting on the closing of the transaction of all unvested restricted stock held by Affected Employees that would have vested in 2008 or 2009.
- The payment of a portion of the 2007 VIP Incentive Bonus Plan bonus that is otherwise determined to be due under the terms of the plan prorated based on the portion of 2007 that each Affected Employee who participates in the plan was employed by Nabi.
- The continued participation by those Affected Employees who participate in the Employee Stock Purchase Plan ("ESPP") through the current period ending November 30, 2007, notwithstanding the fact that their employment with Nabi may terminate before such date and an amendment to the ESPP to permit such continued participation.
- The payment to Affected Employees that were awarded incentive bonuses that would otherwise be payable to them on January 2, 2008 had such Affected Employees continued to be employed by Nabi through such date.

The Affected Employees may include executive officers Raafat E.F. Fahim, Ph.D., Chief Operating Officer and General Manager of the Biologics SBU, and Senior Vice President, Research, Technical and Production Operations, and Jordan I. Siegel, Senior Vice President, Finance and Administration, Chief Financial Officer and Treasurer, but not Leslie Hudson, Ph.D., Interim President and Chief Executive Officer.

In addition, the board determined that for purposes of all outstanding options held by directors under Nabi's 2007 Omnibus Equity and Incentive Plan, 2004 Stock Plan for Non-Employee Directors and Stock Plan for Non-Employee Directors, the transaction will not constitute a sale of all or substantially all of the Company's assets. Therefore, the vesting of options held by directors will not accelerate as a result of the transaction, and the options held by directors will not terminate as a result of the transaction, but rather will continue to be exercisable in accordance with their terms.

Under our employment agreement with Dr. Hudson, Interim President and Chief Executive Officer, as a result of the execution of the asset purchase agreement, he will receive a cash bonus of $57,000 and will vest in 14,400 shares of restricted stock. The expense associated with these items of $0.1 million is reflected in general and administrative expenses in the third quarter of 2007. Also under Dr. Hudson's employment agreement, if the asset sale is completed, he will receive an additional cash bonus of $28,500 and will vest in an additional 7,200 shares of restricted stock.

NOTE 4 DISPOSITIONS AND DISCONTINUED OPERATIONS

During the second quarter of 2007, we sold certain assets related to our Aloprim ™ (allopurinol sodium) for Injection product to Bioniche Teoranta, a limited company incorporated in the Republic of Ireland, for aggregate sale proceeds of $3.7 million. Of that amount, $1.3 million was received at closing, $1.4 million is due on December 28, 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, which is classified in "*Other income, net*" on our unaudited condensed consolidated statement of operations. We did not treat Aloprim as a discontinued operation given its relative immateriality, however, we plan to present it as discontinued when we reclassify our Biologics SBU to discontinued operations in the fourth quarter of 2007.

During the fourth quarter of 2006, we sold under a definitive agreement, certain assets related to our PhosLo operations. Under the terms of the PhosLo Agreement, we received $65 million in cash at closing and we earned and collected $10.5 million of milestone payments as of September 29, 2007. We can earn up to an additional $10.0 million upon successful completion of additional milestones. In addition, the purchaser acquired product rights to a new product formulation and we are entitled to royalties on sales of the new product formulation currently under development over a base amount for 10 years after the closing date until total consideration paid in the transaction reaches $150 million.

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

| (In thousands) | September 29, 2007 | December 30, 2006 |
|---|---|---|
| Restricted cash | $ — | $ 10,841 |
| Milestone and other receivables | 227 | 2,500 |
| **Total assets of discontinued operations** | $ 227 | $ 13,341 |

| (In thousands) | September 29, 2007 | December 30, 2006 |
|---|---|---|
| Trade accounts payable | $ 64 | $ 2,291 |
| Accrued expenses and other liabilities | 3,559 | 7,505 |
| Note payable, net | — | 10,758 |
| **Total liabilities of discontinued operations** | $ 3,623 | $ 20,554 |

The following table presents summarized financial information for the discontinued operations presented in the accompanying unaudited condensed consolidated statements of operations:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands) | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| Revenues | $ 227 | $ 6,789 | $ 302 | $ 24,382 |
| Operating income (loss) | 27 | (5,311) | 212 | (8,803) |
| Net income (loss) | 27 | (5,492) | 212 | (9,274) |

The revenues in fiscal 2007 primarily represent the net impact of changes made to our sales deduction liabilities, based on our ongoing estimation process for such deductions. The operating loss for three and nine months ended September 30, 2006 includes an impairment loss of $2.9 million to adjust the Phoslo assets to their fair value less the selling costs.

NOTE 5 INVENTORIES

The components of inventories, stated at the lower of cost or market with cost determined on the first-in first-out, or FIFO method, are as follows:

| (In thousands) | September 30, 2007 | December 30, 2006 |
|---|---|---|
| Finished goods | $ 10,838 | $ 13,392 |
| Work in process | 6,468 | 4,830 |
| Raw materials | 1,387 | 1,038 |
| **Total** | $ 18,693 | $ 19,260 |

The net inventory balances reflected in the accompanying unaudited condensed consolidated balance sheets include provisions or write-offs against inventory that have been recorded in accordance with our stated accounting policy.

NOTE 6 LOSS PER SHARE

Basic loss per share is computed by dividing our net loss by the weighted average number of shares outstanding during the period, excluding unvested restricted stock. Diluted loss per share is calculated similarly, as additional shares would be considered anti-dilutive due to our net loss.

When the effects are not anti-dilutive, diluted earnings per share is computed by dividing our net loss by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options and restricted stock grants. The dilutive impact of stock options and restricted stock is determined by applying the “treasury stock” method. A total of 142,489 and 255,593 common stock equivalents have been excluded from the calculation of diluted net loss per share in the three months ended September 29, 2007 and September 30, 2006, respectively, because their inclusion would be anti-dilutive. In addition, a total of 289,619 and 261,542 common stock equivalents have been excluded from the calculation of diluted net loss per share in the nine months ended September 29, 2007 and September 30, 2006, respectively, because their inclusion would be anti-dilutive.

NOTE 7 OPERATING SEGMENT INFORMATION

During the second quarter, we redefined our segments to reflect the recent formation of our two strategic business units: the Biologics SBU and the Pharmaceuticals SBU.

In connection with this realignment, we created a CSS group, which was developed to streamline and improve finance, information technology, human resources, and business development activities. CSS costs also include legal, government affairs, investor relations, corporate governance and executive administrative expenses. The cost of these activities is not allocated to our operating segments.

Given the implementation of this new internal structure, in the second quarter of 2007 we revised the applicable segment reporting disclosures in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* and reclassified prior periods to conform to our new presentation.

We evaluate the performance of each segment based on operating profit or loss. Selling and marketing expenses and research and development expenses are allocated based on the applicable projects for which the expenses support. There are no inter-segment sales and there are no inter-segment allocations of non-operating income and expense.

The following table presents information related to our two reportable segments, reconciled to our consolidated totals:

| (In thousands) | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| **Revenues:** | | | | |
| Biologics SBU | $ 20,075 | $ 19,484 | $ 64,689 | $ 58,411 |
| Pharmaceuticals SBU | 35 | 150 | 42 | 1,114 |
| **Total** | $ 20,110 | $ 19,634 | $ 64,731 | $ 59,525 |
| **Gross margin (loss):** | | | | |
| Biologics SBU | $ 5,381 | $ 4,170 | $ 23,626 | $ 14,776 |
| Pharmaceuticals SBU | 35 | 36 | (76) | 439 |
| **Total** | $ 5,416 | $ 4,206 | $ 23,550 | $ 15,215 |
| **Operating loss:** | | | | |
| Biologics SBU | $ (6,437) | $ (2,714) | $ (2,999) | $ (2,021) |
| Pharmaceuticals SBU | (2,160) | (5,309) | (9,895) | (18,775) |
| Segment operating loss | (8,597) | (8,023) | (12,894) | (20,796) |
| CSS | (7,834) | (8,377) | (23,094) | (25,255) |
| **Total** | $ (16,431) | $ (16,400) | $ (35,988) | $ (46,051) |

Total assets related to our segments and the reconciliation to our consolidated totals are presented below.

| (In thousands) | September 29, 2007 | December 30, 2006 |
|---|---|---|
| Biologics SBU | $ 109,756 | $ 119,761 |
| Pharmaceuticals SBU | 5,570 | 3,631 |
| CSS [1] | 108,302 | 129,144 |
| Assets of discontinued operations | 226 | 13,341 |
| **Total Assets** | $ 223,854 | $ 265,877 |

[1] Assets reflected in CSS, which are not allocated to our segments, consist primarily of cash and cash equivalents, marketable securities and certain property, plant and equipment which are allocated to CSS functions.

NOTE 8 COMMITMENTS AND CONTINGENCIES

During 2006, we recorded $4.5 million of other Biologics SBU revenue related to a contract manufacturing agreement with Inhibitex, Inc. or Inhibitex. Inhibitex disputed the amounts due to us and we submitted this dispute to binding arbitration during January 2007. On February 9, 2007, we received a favorable ruling from the arbitrator awarding us the full $4.5 million which we recorded in 2006. On March 20, 2007, we filed a motion to confirm the arbitration award. Inhibitex filed a cross petition challenging $3.3 million of the award, the portion relating to cancellation fees. On October 11, 2007, the court vacated $3.3 million of the award relating to the cancellation fees and confirmed the remaining amount of $1.2 million as payable to Nabi. Although, we will vigorously challenge this new ruling, we recorded a $3.3 million charge against revenues of the Biologics SBU segment in the third quarter of 2007 to reflect the outcome of the decision.

In September 2007, our Board of Directors approved the termination of our development, marketing and supply agreement with Fresenius Biotech GmbH (“Fresenius”) for and our development of ATG-Fresenius in the United States and Canada. On October 22, 2007, we entered into a transition/termination agreement with Fresenius, for the purpose of terminating the agreement. Accordingly, we recorded a charge of $2.7 million in the third quarter of 2007, related to the agreed upon cost of satisfying our remaining obligations with Fresenius under our original contract. This charge is included in research and development expenses of the Biologics SBU.

During 2006, we engaged an outside consultant to assess our pricing programs under Medicaid and other governmental pricing programs during the period from 2002 through the second quarter of 2006. In connection with this review, we identified approximately $3.8 million of additional liabilities, of which remaining amounts due at September 29, 2007 and December 30, 2006 were approximately $2.5 million and $2.9 million, respectively. 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 Medicaid and other governmental pricing programs.

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. Additionally, our board recently approved several compensation related actions which will become effective in the event the transaction with Biotest is completed (see Note 3). At September 29, 2007, we had approximately $1.2 million of accrued severance benefits included in "*Accrued expenses*" in our unaudited condensed consolidated balance sheet, in connection with the resignation of our former Chairman, President and CEO from the Company which was paid in October 2007.

In the second quarter of 2007, we recorded severance expense of $0.6 million associated with the elimination of 32 positions in our Boca Raton office, of which $0.4 million is included our Biologics SBU and $0.2 million in general and administrative expenses related to CSS. In the third quarter of 2007, we recorded severance expense of $0.6 million associated with the elimination of 33 positions in our Rockville, Maryland research and development facility. This charge was included in research and development expenses and was allocated between the Biologics SBU and Pharmaceuticals SBU. As of September 29, 2007, we had $0.4 million in "Accrued expenses" in our unaudited condensed consolidated financial statements related to these actions, which will largely be paid out by the end of the year.

In September 2001, our Board of Directors approved the expenditure of up to $5.0 million to purchase our common stock in the open market or in privately negotiated transactions. To date, we have incurred $1.9 million acquiring 345,883 shares under this authorization, leaving $3.1 million available for future purchases. No shares were purchased during 2007 or 2006.

***Legal Proceedings***

On September 27, 2005, we filed a lawsuit in the United States District Court for the Southern District of Ohio against Roxane Laboratories, Inc., or Roxane, for infringement of our U.S. Patent Number 6,576,665 for PhosLo GelCaps. We filed this lawsuit under the Hatch-Waxman Act in response to a Paragraph IV Certification notice letter submitted by Roxane to us concerning Roxane's filing of an Abbreviated New Drug Application, or ANDA, with the FDA to market a generic version of PhosLo GelCaps. The lawsuit was filed on the basis that Roxane Laboratories' submission of its ANDA and its proposed generic product infringe the referenced patent, which expires in 2021. Under the Hatch-Waxman Act, FDA approval of Roxane Laboratories' proposed generic product would be stayed until the earlier of 30 months or resolution of the patent infringement lawsuit.

On May 25, 2006, we filed an amended complaint in the lawsuit also alleging infringement of U.S. Patent No. 6,875,445. On June 9, 2006, Roxane filed an answer and counterclaims to the amended complaint, in which it denied infringement and asserted several affirmative defenses. Among those defenses, Roxanne has asserted that it does not infringe either patent, that the patents are invalid, and that the patents are unenforceable due to inequitable conduct. In addition, Roxane has asserted a counterclaim for attempted monopolization under the Sherman Act. Roxane seeks unspecified damages incurred and requests that such damages be trebled under the antitrust statute.

On July 18, 2006, we filed a motion to dismiss Roxane's anti-trust counterclaim, as well as to stay and bifurcate discovery on that counterclaim. On October 20, 2006, the Magistrate Judge ruled that discovery on the counterclaim should proceed simultaneously with discovery on the underlying patent claim. On March 21, 2007, the District Judge denied our motion to dismiss the counterclaim. Discovery has closed although, by agreement between the parties, some further expert deposition still may take place.

On November 12, 2006, we completed the sale of the PhosLo product line and related intellectual property, including the patents which are the subject of this litigation to a U.S. subsidiary of Fresenius Medical Care. As a consequence of this sale, we are no longer the plaintiff in this litigation. However, we remain a defendant with the purchaser in relation to an anti-trust claim filed by Roxane in this litigation. The anti-trust counterclaim is based on allegations that we should not have initiated litigation and have continued to maintain the litigation after the sale. Consequently, we remain responsible for all litigation costs in connection with the anti-trust counterclaim for as long as the counterclaim remains a part of this litigation. We continue to seek dismissal of this counterclaim.

NOTE 9 INCOME TAXES

***Adoption of FIN 48***

Prior to December 31, 2006, we recognized income taxes with respect to uncertain tax positions based upon SFAS No. 5, "*Accounting for Contingencies*", or SFAS No. 5. Under SFAS No. 5, we recorded a liability associated with an uncertain tax position if the liability was both probable and estimable. Prior to December 31, 2006, the liabilities recorded under SFAS No. 5 including interest and penalties related to income tax exposures, would have been recognized as incurred within "income taxes" in our condensed consolidated statements of operations. We recorded no such liabilities in 2006.

Effective December 31, 2006, we adopted FIN 48, "*Accounting for Uncertainty in Income Taxes*", or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes*." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that we determine whether the benefit of our tax positions is more likely than not to be sustained upon audit, based on the technical merits of the tax position. For tax positions that are more likely than not to be sustained upon audit, we recognize the greatest amount of the benefit that is more likely than not to be sustained in our condensed consolidated financial statements. For tax positions that are not more likely than not to be sustained upon audit, we do not recognize any portion of the benefit in our condensed consolidated financial statements. The provisions of FIN 48 also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

Our policy for interest and penalties under FIN 48, related to income tax exposures was not impacted as a result of the adoption of the recognition and measurement provisions of FIN 48. Therefore, we continue to recognize interest and penalties as incurred within "*income taxes*" in our condensed consolidated statements of operations, when applicable.

There was no change to our accumulated deficit as of December 31, 2006 as a result of the adoption of the recognition and measurement provisions of FIN 48. We did identify certain potential liabilities that would have met the pre-FIN 48 accrual criteria, discussed above and therefore recorded the adjustment through our income tax provision in the first quarter of 2007, as it was not material to any periods impacted.

***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.

As a result of our December 31, 2006 implementation of FIN 48, the total amount of gross tax benefits, excluding the offsetting full valuation allowance, that became unrecognized, was approximately $8.3 million. There were no accrued interest and penalties resulting from such unrecognized tax benefits. As of September 29, 2007, the total amount of gross unrecognized tax benefits was $7.8 million, and accrued interest and penalties on such unrecognized tax benefits was $48,455.

The net unrecognized tax benefits, if recognized, would impact the effective tax rate as of December 30, 2006 and September 29, 2007, are $0 and $0.2 million, respectively, due to the effect of our full net deferred tax asset valuation allowance.

We do not currently anticipate that any significant increase or decrease to the gross unrecognized tax benefits will be recorded during the remainder of 2007.

***Other Income Tax Disclosures***

Consistent with 2006, we anticipate recording a valuation allowance against all of our deferred tax assets during 2007. As a result of this valuation allowance, we expect our full year effective tax rate for continuing operations to be at or about zero. We expect to record an estimated gain of approximately $75 million on the anticipated Biologics SBU sale in discontinued operations, which includes an estimated tax liability of approximately $4 million related to alternative minimum tax and income tax in certain state jurisdictions.

Under Section 382 of the Internal Revenue Code, 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 $14.0 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.

## 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 nine months ended September 29, 2007 and September 30, 2006. The discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto.

OVERVIEW

We leverage our experience and knowledge in powering the immune system to develop and, in certain areas, market products that target serious medical conditions in the areas of hepatitis and transplants, gram positive bacterial infections and nicotine addiction. We are a vertically integrated company with sales of antibodies and other biologics, including Nabi-HB® [Hepatitis B Immune Globulin (Human)], a pipeline of products in various stages of development, a state-of-the-art manufacturing capability and a cash position that will allow us to advance our near-term pipeline products. We operate through two strategic business units or SBUs: Biologics and Pharmaceuticals. The Biologics SBU has responsibility for our marketed product Nabi-HB, a spectrum of plasma products from its nine plasma centers and a development pipeline, including human plasma proteins and antibody products. The Pharmaceuticals SBU is responsible for the vaccine product development pipeline that targets significant unmet medical needs, including NicVAX and StaphVAX. NicVAX is nearing the end of an important Phase 2b clinical trial which has shown 12 month efficacy in smoking cessation in statistically significant numbers of treated subjects. The Pharmaceuticals SBU also holds the right to receive up to an additional $75 million in milestone and royalty payments related to its divestiture of PhosLo in 2006.

On September 11, 2007, we entered into an asset purchase agreement with Biotest to sell our Biologics SBU and certain of our corporate shared services, or CSS, assets to Biotest for $185 million. See Note 3 in the accompanying unaudited condensed consolidated financial statements for further information on this anticipated transaction. As a result of receiving shareholder approval on November 8, 2007, the results of operations, assets and liabilities related to the Biologics SBU and certain CSS assets will be 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*, in the fourth quarter of 2007. We intend to reclassify the Aloprim product line to discontinued operations as well. Refer to Note 4 in the accompanying unaudited condensed consolidated financial statements for further information regarding the Aloprim disposal. The following is the summarized financial information of these operations:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands) | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| Revenues | $ 20,110 | $ 19,634 | $ 64,731 | $ 59,525 |
| Operating (loss) income | (5,593) | (1,819) | 302 | 365 |
| Net (loss) income | (5,519) | (1,788) | 2,860 | 282 |

All our revenue producing activities relate to these disposal groups, consequently all revenues and gross margins will be included in discontinued operations in the fourth quarter of 2007. Below is our pro forma operating loss, loss from continuing operations and loss from continuing operations per share data, had we classified these groups as discontinued in our current financial statements.

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands, except per share data) | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| Operating loss | $ (10,838) | $ (14,581) | $ (36,290) | $ (46,416) |
| Loss from continuing operations | (10,382) | (14,533) | (34,753) | (45,722) |
| Loss from continuing operations per share | (0.17) | (0.24) | (0.57) | (0.75) |

RESULTS OF OPERATIONS

For all periods shown, the results from our PhosLo product line have been reclassified as discontinued operations. Refer to Note 4 in the accompanying unaudited condensed consolidated financial statements.

FOR THE THREE MONTHS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

*Revenues*. Information concerning revenues is set forth in the following table:

| (In thousands, except percentages) | For the Three Months Ended | | | |
|---|---|---|---|---|
| | Sept. 29, 2007 | | Sept. 30, 2006 | |
| Biologics SBU: | | | | |
| - Antibodies | $15,880 | 79% | $12,210 | 62% |
| - Nabi-HB | 7,405 | 37% | 6,790 | 35% |
| - Other Biologics | (3,210) | (16)% | 484 | 2% |
| **Biologics SBU** | 20,075 | 100% | 19,484 | 99% |
| **Pharmaceuticals SBU** | 35 | — | 150 | 1% |
| | $20,110 | 100% | $19,634 | 100% |

Revenues for the Biologics SBU grew by $0.6 million in the third quarter of 2007 over the comparable period of the prior year, led by increased antibody sales of $3.7 million, or 30%, from the third quarter of 2006 due to higher sales of Tetanus and anti-D antibodies. “Other Biologics” revenue for the three months ended September 29, 2007 includes a $3.3 million charge related to an unfavorable ruling regarding our Inhibitex arbitration award. See Note 8 in the accompanying condensed consolidated financial statements. Nabi-HB revenues were up 9% from the previous year period. Nabi-HB revenues in the prior year period reflected lower purchases by a significant wholesale customer who reduced its Nabi-HB inventory, driving an overall decrease in the inventory levels at our wholesale customers.

Nabi-HB is a human polyclonal antibody product indicated to prevent hepatitis B infection following accidental exposure to hepatitis B virus, or HBV. However, we believe the majority of Nabi-HB sales are for use to prevent re-infection with hepatitis B disease in HBV-positive liver transplant patients and that Nabi-HB is currently the leading product by sales for this use.

In November 2002, we filed a Biologics License Application (“BLA”) with the FDA for Nabi-HB Intravenous, to prevent re-infection with hepatitis B disease in HBV-positive liver transplant patients. A Blood Product Advisory Committee, or BPAC, meeting was held at the request of the FDA in July 2006. The BPAC recommended that the FDA approve Nabi-HB Intravenous with nine votes in favor and two votes against. After the meeting, the FDA requested additional clarifying information, which we supplied in September 2006. Subsequently, the FDA has requested additional data from us and we have been working with them in fulfilling these requests, with the goal of having a full response submitted during the first quarter of 2008. After receiving this additional data, we expect that the FDA will be able to make a final decision on our BLA.

In April 2007, Cangene Corporation (“Cangene”), reported that the FDA had approved Cangene’s BLA for HepaGam B™ for use to prevent hepatitis B recurrence following liver transplantation in HBV-positive liver transplant patients. We also understand that Cangene is seeking orphan drug designation for this product. We believe that the sale of Cangene’s product in the U.S. with its new license indication will have an adverse effect on Nabi-HB sales and pricing, and that the adverse effect will become more material if Cangene gains orphan drug exclusivity for its product or if we are unable to obtain approval of our BLA for Nabi-HB Intravenous.

The decrease in revenues for the Pharmaceuticals SBU from the prior year period is largely due to the sale of Aloprim in May 2007.

*Gross margin*. Our gross margins are as follows:

| (In thousands, except percentages) | For the Three Months Ended | |
|---|---|---|
| | Sept. 29, 2007 | Sept. 30, 2006 |
| Biologics SBU | $ 5,381 | $ 4,170 |
| Pharmaceuticals SBU | 35 | 36 |
| **Total** | $ 5,416 | $ 4,206 |
| *% of total revenues* | *27%* | *21%* |

Gross margin was $5.4 million in the third quarter of 2007, an increase of $1.2 million from the prior year period. This reflects the increase in revenues and a $0.8 million decrease in unabsorbed overhead associated with higher production levels in the current quarter compared to the prior year period. Partially offsetting these items is the $3.3 million charge to revenues related to the unfavorable court ruling, discussed above. The gross margin for the prior year period includes a $0.9 million charge for Nabi-HB material that was damaged while in transit to a contract filling site.

*Selling, general and administrative expense.* Selling, general and administrative expense was $8.9 million for the third quarter of 2007, a decrease of $1.5 million, or 14% from the third quarter of 2006. This decrease is primarily due to lower selling and marketing-related expenses incurred by the Biologics SBU and our continued efforts to reduce overall infrastructure costs. The third quarter of 2007 includes $1.5 million in legal and other professional fees associated with the pending Biologics SBU sale, while the third quarter of the prior year includes a cumulative correction related to the valuation of our historical equity grants. General and administrative expenses are expected to continue to decline over the course of 2008 if the Biologics SBU sale is completed and our CSS functions are transitioned to a smaller staff in Rockville, Maryland.

*Research and Development expense:* Research and development expenses, by segment, are presented below.

| (In thousands) | For the Three Months Ended | |
|---|---|---|
| | Sept. 29, 2007 | Sept. 30, 2006 |
| Biologics SBU | $ 10,740 | $ 5,094 |
| Pharmaceuticals SBU | 2,192 | 5,146 |
| **Total** | $ 12,932 | $ 10,240 |

The increase in our research and development expenses for the third quarter of 2007 for the Biologics SBU primarily reflects a focus on activities related to the acceleration of our Intravenous Immune Globulin (“IVIG”) development program as well as costs associated with obtaining the BLA for Nabi-HB Intravenous. Additionally we recorded a $2.7 million charge in the current quarter with respect to the Biologics SBU in connection with the transition/termination of our future obligations associated with the development of ATG-Fresenius. The Pharmaceuticals SBU’s research and development expenses reflect lower spending in our Gram-positive programs, which includes StaphVAX. NicVAX research and development expense was also lower in the current quarter in comparison to the third quarter of 2006, as the prior year period included expenses associated with the initiation of the NicVAX Phase II proof of concept trial. Our NicVAX expenses were partially offset by funding from the National Institute on Drug Abuse (“NIDA”) of $0.2 million and $1.1 million in the third quarters of 2007 and 2006, respectively. The third quarter of 2006 included a reversal of $1.1 million of previously recorded depreciation expense which was largely offset by a cumulative correction related to the valuation of our historical equity grants.

*Operating loss.* Operating loss by segment is as follows.

| (In thousands) | For the Three Months Ended | |
|---|---|---|
| | Sept. 29, 2007 | Sept. 30, 2006 |
| Biologics SBU | $ (6,437) | $ (2,714) |
| Pharmaceuticals SBU | (2,160) | (5,309) |
| Segment operating loss | (8,597) | (8,023) |
| CSS | (7,834) | (8,377) |
| **Total** | $ (16,431) | $ (16,400) |

Operating results for the Biologics SBU were negatively impacted in the current quarter by the $3.3 million charge to revenue related to an unfavorable ruling regarding our arbitration award with Inhibitex and a $2.7 million charge to research and development related to the transition/termination of our future obligations associated with the development of ATG-Fresenius. The lower operating loss for the Pharmaceuticals SBU reflects lower research and development spending as discussed above. CSS expenses have declined compared to 2006, reflecting our continued efforts to reduce our overall infrastrtucture costs. CSS expenses in the current period include $1.5 million of expense related to legal and other professional fees associated with the Biologics SBU sale, while in the prior year period CSS expenses included a cumulative correction to certain stock compensation awards.

*Interest income.* Interest income was $1.4 million for the third quarter of 2007 compared to $0.9 million for the third quarter of 2006. Interest income is earned from investing cash and cash equivalents on hand in money market funds and marketable securities, including auction rate securities with maturities or interest reset periods of three months or less. The increase in interest income was primarily due to an increase in the average cash balance largely due to proceeds received from the PhosLo sale in the fourth quarter of 2006.

*Income taxes.* During 2007 and consistent with 2006, we anticipate recording a full valuation allowance against all net deferred tax assets. As a result there was no income tax benefit recorded in the third quarter of 2007.

*Income (loss) from discontinued operations*. Income (loss) from discontinued operations reflects the reclassification of the operations related to our PhosLo product line, which was sold during the fourth quarter of 2006. The loss from discontinued operations of $5.5 million during the three months ended September 30, 2006 includes an impairment charge of $2.9 million to adjust the assets held for sale related to PhosLo to their fair value less costs to sell the assets.

FOR THE NINE MONTHS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

*Revenues*. Information concerning revenues is set forth in the following table:

| (In thousands, except percentages) | For the Nine Months Ended | | | |
|---|---|---|---|---|
| | Sept. 29, 2007 | | Sept. 30, 2006 | |
| Biologics SBU: | | | | |
| - Antibodies | $39,916 | 62% | $36,076 | 61% |
| - Nabi-HB | 26,204 | 40% | 21,134 | 36% |
| - Other Biologics | (1,431) | (2)% | 1,201 | 2% |
| **Biologics SBU** | 64,689 | 100% | 58,411 | 98% |
| **Pharmaceuticals SBU** | 42 | — | 1,114 | 2% |
| | $64,731 | 100% | $59,525 | 100% |

Revenues for the Biologics SBU grew by $6.3 million, or 11%, in the first nine months of 2007 over the comparable period of the prior year, led by increased sales volume of Nabi-HB of $5.1 million. Sales of antibodies also increased year over year by $3.8 million, or 11%. As discussed above in the quarterly results section, the current year was negatively impacted by a $3.3 million charge related to an unfavorable court ruling regarding our Inhibitex arbitration award. Nabi-HB revenues in the prior year period reflected lower purchases by a significant wholesale customer who reduced its Nabi-HB inventory, driving an overall decrease in the inventory levels at our wholesale customers.

We believe that the sale of Cangene's product in the U.S. with its new license indication will have an adverse effect on Nabi-HB sales and pricing, and that the adverse effect will become more material if Cangene gains orphan drug exclusivity for its product or if we are unable to obtain approval of our BLA for Nabi-HB Intravenous.

The decrease in revenues for the Pharmaceuticals SBU from the prior year period is largely due to the sale of Aloprim in May 2007.

*Gross margin (loss)*. Our gross margin (loss) for the first nine months of 2007 and comparative prior year period is as follows:

| (In thousands, except percentages) | For the Nine Months Ended | |
|---|---|---|
| | Sept. 29, 2007 | Sept. 30, 2006 |
| Biologics SBU | $ 23,626 | $ 14,776 |
| Pharmaceuticals SBU | (76) | 439 |
| **Total** | $ 23,550 | $ 15,215 |
| *% of total revenues* | *36%* | *26%* |

Gross margin for the nine months ended September 29, 2007, increased by $8.3 million, or 55%, from the comparable prior year period. This increase was attributed to increased sales of Nabi-HB and antibody products as well as a benefit of $1.2 million related to the receipt of an insurance settlement for a damaged lot of Nabi-HB that was written off in the prior year period. Additionally, higher production levels resulted in a $4.1 million decrease in unabsorbed overhead in the nine months ended September 29, 2007 compared to the prior year period. These benefits were partially offset by a $3.3 million charge related to the unfavorable court ruling on the Inhibitex manufacturing contract.

*Selling, general and administrative expense.* Selling, general and administrative expense was $27.5 million for the first nine months of 2007 compared to $33.4 million for the first nine months of 2006. The decrease of $5.9 million, or 18%, is primarily due to lower selling and marketing-related expenses incurred by the Biologics SBU and our continued efforts to reduce overall infrastructure costs. In the current year period, CSS incurred $2.1 million of expenses related to legal and other professional fees associated with the anticipated Biologics SBU sale and $1.6 million of severance expense associated with the resignation of our former Chairman, President and Chief Executive Officer. Included in CSS expenses in the prior year period is a cumulative correction related to the valuation of our historical equity grants. General and administrative expenses are expected to continue to decline over the course of 2008 if the Biologics SBU sale is completed and our CSS functions are transitioned to a smaller staff in Rockville, Maryland.

*Research and Development expense:* Research and development expenses, by segment, are presented below.

| (In thousands) | For the Nine Months Ended Sept. 29, 2007 | Sept. 30, 2006 |
|---|---|---|
| Biologics SBU | $ 22,240 | $ 8,898 |
| Pharmaceuticals SBU | 9,795 | 19,003 |
| **Total** | $ 32,035 | $ 27,901 |

The increase in our research and development expenses for the first nine months of 2007 for the Biologics SBU reflects a focus on activities related to the acceleration of our Civacir, anti-D and IVIG development programs. The anti-D and IVIG projects were initiated in the second half of 2006. Also, we incurred a $2.7 million charge in the current period in connection with the transition/termination of our future obligations associated with the development of ATG-Fresenius. The Pharmaceuticals SBU research and development expenses reflect decreased spending on our Gram-positive programs, including StaphVAX. Expenses related to NicVAX were also lower for the nine months ended September 29, 2007 as the prior year period included expenses associated with the initiation of our Phase II proof of concept trial. Our NicVAX expenses were partially offset by funding from NIDA of $1.2 million and $1.6 million for the nine months ended September 29, 2007 and September 30, 2006, respectively. The prior year period included a reversal of $1.1 million of previously recorded depreciation expense which was largely offset by a cumulative correction related to the valuation of our historical equity grants.

*Operating loss.* Operating loss by segment is as follows.

| (In thousands) | For the Nine Months Ended Sept. 29, 2007 | Sept. 30, 2006 |
|---|---|---|
| Biologics SBU | $ (2,999) | $ (2,021) |
| Pharmaceuticals SBU | (9,895) | (18,775) |
| Segment operating loss | (12,894) | (20,796) |
| CSS | (23,094) | (25,255) |
| **Total** | $ (35,988) | $ (46,051) |

We were able to reduce our operating loss by $10.1 million, or 22%, from the comparable prior year period, as our Biologics SBU was able to realize an $8.9 million, or 60%, increase in gross margins. For the Biologics SBU this benefit was more than offset by increased expense for reseach and development activities. The results for the Pharmaceuticals SBU reflect lower research and development spending. CSS continues to benefit from lower general and administrative expenses reflecting our continued efforts to reduce overall infrastructure costs.

*Interest income.* Interest income was $4.4 million and $2.9 million for the nine months ended September 29, 2007 and September 30, 2006, respectively. Interest income is earned from investing cash and cash equivalents on hand in money market funds and marketable securities, including auction rate securities with maturities or interest reset periods of three months or less. The increase in interest income was primarily due to an increase in the average cash balance for the first nine months of 2007.

*Other income, net.* Other income, net for the nine months ended September 29, 2007 includes a $2.6 million gain from the sale of Aloprim. For further information on the Aloprim sale, which closed in May 2007, see Note 3 of our unaudited condensed consolidated financial statements.

*Income taxes.* During 2007 and consistent with 2006, we anticipate recording a full valuation allowance against all net deferred tax assets. As a result of this valuation allowance, we expect our full-year effective tax rate for continuing operations to be at or about zero. However, in connection with our adoption of FIN 48, we identified certain potential liabilities that would have met the pre-FIN 48 accrual criteria and therefore, we recorded a $0.2 million adjustment through our first quarter 2007 income tax provision, as it was not material to any period impacted.

*Income (loss) from discontinued operations*. Income (loss) from discontinued operations reflects the reclassification of the operations related to our PhosLo product line, which was sold during the fourth quarter of 2006. The loss from discontinued operations of $9.3 million during the nine months ended September 30, 2006 includes an impairment charge of $2.9 million to adjust the assets held for sale related to PhosLo to their fair value less costs to sell the assets. We anticipate recording a gain of

approximately $75 million in discontinued operations if the Biologics SBU sale is completed by the end of the year. This estimated gain is net of an estimated tax liability of approximately $4 million related to alternative minimum tax and income taxes in certain state jurisdictions, as well as a non-cash charge of approximately $3 million related to modifications to stock-based compensation benefits which become effective if the sale is completed.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and marketable securities at September 29, 2007 totaled $99.8 million compared to $118.7 million at December 30, 2006. This decline is primarily the result of funding our net loss during the current period.

Cash used in operating activities from continuing operations for the nine months ended September 29, 2007 was $16.6 million, compared to $31.9 million for the nine months ended September 30, 2006. The decrease in cash used was primarily associated with our reduction in operating costs. Also, in the current period we have benefited from the timing of certain accruals recorded during the nine months ended September 29, 2007 which will be paid in the fourth quarter, including the $2.5 million fee associated with the transition/termination of our future obligations associated with the development of ATG-Fresenius and $1.2 million in severance-related payments to our former Chairman, President and CEO. Cash used in operating activities of discontinued operations for the nine months ended September 29, 2007 primarily related to payments of liabilities which were retained after the disposal of PhosLo in the fourth quarter of 2006.

Cash provided by investing activities from continuing operations for the nine months ended September 29, 2007 of $11.3 million largely consisted of net proceeds from marketable securities of $10.8 million and proceeds to date from the sale of Aloprim of $1.3 million. We expect to receive additional payments from the Aloprim sale of $1.4 million on December 28, 2007 and $1.0 million on December 26, 2008.

Cash provided by investing activities from discontinued operations of $2.6 million for the nine months ended September 29, 2007 includes the receipt of a $2.5 million milestone payment associated with the PhosLo sale agreement earned during 2006.

On April 19, 2005, we issued $100.0 million of 2.875% Convertible Senior Notes due 2025. The Convertible Senior Notes were issued through a private offering to qualified institutional buyers as defined under Rule 144A of 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. Interest on the Convertible Senior Notes is payable on each April 15 and October 15, beginning October 15, 2005. We can redeem the Convertible Senior Notes at 100% of their principal amount, or $112.4 million, plus accrued and unpaid interest, any time on or after April 18, 2010. Holders of Convertible Senior Notes may require us to repurchase the 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 Convertible Senior Notes.

In the fourth quarter of 2007, we expect to receive $185.0 million in proceeds related to the anticipated Biologics SBU sale, of which $10 million will be deposited in escrow to cover any indemnification claims against us and any shortfall in required closing date inventory levels, and will not be available to be released until April 2009. We also expect to pay approximately $3 million of additional professional fees associated with the transaction. We are uncertain about the uses of the anticipated proceeds from the Biologics SBU sale and are reviewing working capital needs, anticipated liabilities and potential strategic uses of capital.

On December 7, 2004, we filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission. 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 and development expenses and new acquisition and licensing opportunities.

On September 19, 2001, our Board of Directors approved the expenditure of up to $5.0 million to repurchase shares of our common stock in the open market or in privately negotiated transactions. Repurchases will allow us to have treasury stock available to support our stock option and stock purchase programs. We acquired no shares under this program during the past five and a half years. We will evaluate market conditions in the future and make decisions to repurchase additional shares of our common stock on a case-by-case basis in accordance with our Board of Directors' approval. We have acquired 345,883 shares of our common stock for a total of $1.9 million since the inception of this buy back program.

We believe cash and cash equivalents and marketable securities on hand at September 29, 2007 will be sufficient to meet our anticipated cash requirements for operations and debt service for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements include the accounts of Nabi Biopharmaceuticals and all of its wholly-owned subsidiaries. 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 at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

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.

*Accounts Receivable and Revenue Recognition*

Our primary customers for biopharmaceutical products are pharmaceutical wholesalers. In accordance with our revenue recognition policy, revenue from product sales is recognized when title and risk of loss are transferred to the customer. Reported revenues are net of estimated customer prompt pay discounts, government payer rebates, customer returns, other customer allowances and other wholesaler fees and chargebacks. Our policy regarding sales to customers is that we do not recognize revenue from, or the cost of such sales, where we believe the customer has more than a demonstrably reasonable level of inventory. We make this assessment based on historical demand, historical customer ordering patterns for purchases, business considerations for customer purchases and estimated inventory levels. If our actual experience is different than our assumptions we will then record the effect in that period.

We estimate allowances for revenue dilution items using a combination of information received from third parties, including market data, inventory reports from our major U.S. wholesaler customers, historical information and analysis that we perform. The key assumptions used to arrive at our best estimate of revenue dilution allowances are estimated customer inventory levels, contractual prices and related terms. Our estimates of inventory at wholesaler customers and in the distribution channels 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. Provisions for estimated rebates and other allowances, such as discounts, promotional and other credits are estimated based on historical payment experience, historical relationship to revenues, estimated customer inventory levels, contract terms and actual discounts offered. Provisions for chargebacks involve more subjective judgments and are more complex in nature. This provision is discussed in further detail below.

The provision for chargebacks is a significant and complex estimate used in the recognition of revenue. Historically, we market products directly to wholesalers, distributors and homecare companies. We also have marketed products to group purchasing organizations, managed care organizations, physician practice management groups and hospitals, collectively referred to as indirect customers. We have entered into agreements with indirect customers to establish contract pricing for certain products. The indirect customers then select wholesalers from which to actually purchase the products at these contracted prices. Under this arrangement, we will provide credit to the wholesaler to the extent the contracted price with the indirect party is less than the wholesaler's invoice price. Such credit is called a chargeback. The provision for chargebacks is based on our historical chargeback experience and estimated wholesaler inventory levels, as well as expected sell-through levels by our wholesaler customers to indirect customers. Our estimates of inventory at wholesaler customers and in the distribution channels are subject to inherent limitations of estimates that rely on third-party data, as certain third-party information may itself rely on estimates and reflect other limitations. We continually monitor our provision for chargebacks and make adjustments when we believe that actual chargebacks may differ from established reserves.

The following table represents the amounts we have accrued for sales deductions included in continuing operations:

| (In thousands) | Chargebacks | Rebates | Sales discounts | Other sales deductions | Total sales deductions |
|---|---|---|---|---|---|
| Balance at December 30, 2006 | $ 696 | $ 934 | $ 799 | $ 348 | $ 2,777 |
| Provision | 2,020 | 85 | 1,268 | 209 | 3,582 |
| Actual credits utilized during the nine months ended Sept. 29, 2007 | (2,215) | (313) | (1,431) | (418) | (4,377) |
| Balance at Sept. 29, 2007 | $ 501 | $ 706 | $ 636 | $ 139 | $ 1,982 |

The following table represents the amounts we have accrued for sales deductions included in discontinued operations:

| (In thousands) | Chargebacks | Rebates | Sales discounts | Other sales deductions | Total sales deductions |
|---|---|---|---|---|---|
| Balance at December 30, 2006 | $ 601 | $ 5,381 | $ 438 | $ 760 | $ 7,180 |
| Provision (reversal) | 111 | (190) | (3) | (220) | (302) |
| Actual credits utilized during the nine months ended Sept. 29, 2007 | (712) | (2,706) | (146) | (46) | (3,610) |
| Balance at Sept. 29, 2007 | $ — | $ 2,485 | $ 289 | $ 494 | $ 3,268 |

*Inventory and Reserves for Slow Moving or Obsolete Inventory*

At September 29, 2007, we had net inventory of $18.7 million. We review inventory on hand at each reporting period to assess that inventory is stated at the lower of cost or market and that inventory on hand is saleable. Our assessment of inventory includes a review of selling price compared to inventory carrying cost, recent sales trends and our expectations for sales trends in future periods, ongoing validation that inventory is maintained within established product specifications and product remaining shelf life expiration. Based on these assessments, we provide for an inventory valuation allowance in the period in which the requirement is identified. If our actual experience is greater than our assumptions we will record additional expenses in that period.

*Property, Plant and Equipment and Depreciation*

We incurred costs of $90.3 million to construct our biopharmaceutical manufacturing facility in Florida and received approval to manufacture our own antibody-based biopharmaceutical product, Nabi-HB, at this facility from the FDA in October 2001. In constructing the facility for its intended use, we incurred approximately $26.8 million in direct costs of acquiring the building, building systems, manufacturing equipment and computer systems. We also incurred a total of $63.5 million of costs related to validation of the facility to operate in an FDA-approved environment and capitalized interest. Costs related to validation and capitalized interest, have been allocated to the building, building systems, manufacturing equipment and computer systems. Buildings and building systems are depreciated on a straight-line basis over 39 years and 20 years, respectively, the estimated useful lives of these assets. The specialized manufacturing equipment and computer systems are depreciated using the units-of-production method, as the specialized equipment is subject to wear and tear and exhaustion primarily as a result of use as opposed to the passage of time or technical obsolescence. We expect the annual utilization of these assets to increase significantly during the useful life of the assets and, therefore, believe the units-of-production method of depreciation most appropriately reflects the pattern of consumption of the equipment. However, because we anticipated low utilization levels during the initial years of the asset life and there was uncertainty as to whether higher production levels would be attained, we determined that a minimum of straight-line depreciation over an approximate 13 year life should be recorded each period. Since placing the facility into service in 2001, we have recorded the minimum depreciation amount. Under the units of production method we recorded depreciation expense of $2.2 million and $1.7 million for the nine months ended September 29, 2007 and September 30, 2006, respectively. In accordance with the above policy, which has been consistently applied for all prior periods, we recorded additional depreciation expense of $1.2 million and $1.9 million for the nine months ended September 29, 2007 and September 30, 2006, respectively, because the amount of depreciation resulting from the units-of-production method was less than our minimum threshold depreciation amount. We periodically evaluate the remaining life and recoverability of this equipment based on the appropriate facts and circumstances.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the FASB issued Interpretation Number 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48. FIN 48 applies to all tax positions within the scope of SFAS No. 109, applies a “more likely than not” threshold for tax benefit recognition, identifies a defined methodology for measuring benefits and increases the disclosure requirements for companies. FIN 48 is mandatory for fiscal years beginning after December 15, 2006; accordingly, we adopted FIN 48 effective December 31, 2006. In connection with our FIN 48 review, we identified certain potential liabilities that would have met the pre-FIN 48 accrual criteria, discussed above, and therefore recorded a $0.2 million adjustment through our income tax provision in the first quarter of 2007, as it was not material to any period impacted.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. We plan to adopt SFAS No. 157 beginning in the first quarter of our 2008 fiscal year. We are currently evaluating the impact the adoption of SFAS No. 157 will have on 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*, or SFAS No. 159, 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 No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are in the process of evaluating the impact, if any, of adopting this pronouncement.

In June 2007, the Emerging Issues Task Force ("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 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 plan to adopt EITF 07-03 beginning in the first quarter of our 2008 fiscal year. We are currently evaluating the impact the adoption of EITF 07-03 may have on our financial position and results of operations.

FORWARD LOOKING STATEMENTS

Statements in this Quarterly Report that are not strictly historical are forward-looking statements and include statements about our expected Biologics SBU sale, the impact of expected transitioning and consolidation activities expected to occur after the transaction, expected receipt of an arbitration award from Inhibitex, cash position, and our strategic alternatives process. 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: complete the Biologics SBU sale transaction with Biotest; successfully partner with third parties to fund, develop, manufacture and/or distribute our existing and pipeline products, including NicVAX and our Gram-positive infections products; obtain successful clinical trial results; generate sufficient cash flow from milestone or royalty payments to fund our development and commercialization activities; attract and maintain the human and financial resources to commercialize current products and bring to market products in development; depend upon third parties to manufacture or fill our products; obtain regulatory approval for our products in the U.S. or other markets; expand our sales and marketing capabilities or enter into and maintain arrangements with third parties to market and sell our products; raise additional capital on acceptable terms, or at all; and re-pay our outstanding convertible senior notes when due. Some of these factors are more fully discussed below. Many of these factors are more fully discussed, as are other factors, in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006 filed with the Securities and Exchange Commission on March 15, 2007 and under "Risk Factors" in this Quarterly Report. 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**

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of September 29, 2007. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 29, 2007. There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended September 29, 2007 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

On September 27, 2005, we filed a lawsuit in the United States District Court for the Southern District of Ohio against Roxane Laboratories, Inc., or Roxane, for infringement of our U.S. Patent Number 6,576,665 for PhosLo GelCaps. We filed this lawsuit under the Hatch-Waxman Act in response to a Paragraph IV Certification notice letter submitted by Roxane to us concerning Roxane's filing of an Abbreviated New Drug Application, or ANDA, with the FDA to market a generic version of PhosLo GelCaps. The lawsuit was filed on the basis that Roxane Laboratories' submission of its ANDA and its proposed generic product infringe the referenced patent, which expires in 2021. Under the Hatch-Waxman Act, FDA approval of Roxane Laboratories' proposed generic product would be stayed until the earlier of 30 months or resolution of the patent infringement lawsuit.

On May 25, 2006, we filed an amended complaint in the lawsuit also alleging infringement of U.S. Patent No. 6,875,445. On June 9, 2006, Roxane filed an answer and counterclaims to the amended complaint, in which it denied infringement and asserted several affirmative defenses. Among those defenses, Roxanne has asserted that it does not infringe either patent, that the patents are invalid, and that the patents are unenforceable due to inequitable conduct. In addition, Roxane has asserted a counterclaim for attempted monopolization under the Sherman Act. Roxane seeks unspecified damages incurred and requests that such damages be trebled under the antitrust statute.

On July 18, 2006, we filed a motion to dismiss Roxane's anti-trust counterclaim, as well as to stay and bifurcate discovery on that counterclaim. On October 20, 2006, the Magistrate Judge ruled that discovery on the counterclaim should proceed simultaneously with discovery on the underlying patent claim. On March 21, 2007, the District Judge denied our motion to dismiss the counterclaim. Discovery has closed although, by agreement between the parties, some further expert deposition still may take place.

On November 12, 2006, we completed the sales of the PhosLo product line and related intellectual property, including the patents which are the subject of this litigation to a U.S. subsidiary of Fresenius Medical Care. As a consequence of this sale, we are no longer the plaintiff in this litigation. However, we remain a defendant with the purchaser in relation to an anti-trust claim filed by Roxane in this litigation. The anti-trust counterclaim is based on allegations that we should not have initiated litigation and have continued to maintain the litigation after the sale. Consequently, we remain responsible for all litigation costs in connection with the anti-trust counterclaim for as long as the counterclaim remains a part of this litigation. We continue to seek dismissal of this counterclaim.

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

**Item 1A. Risk Factors**

The following risk factor disclosed in the Company's Annual Report on Form 10-K for the year ended December 30, 2006 has changed materially.

*Our BLA license application for Nabi-HB Intravenous may not be approved and a competitive product will reduce sales of Nabi-HB.*

Our BLA license application for Nabi-HB Intravenous that was filed in November 2002, may not be approved by the FDA. Nabi-HB is a human polyclonal antibody product currently indicated to prevent hepatitis B virus, or HBV, infection following accidental exposure to the virus. We believe the majority of our Nabi-HB sales are used to prevent re-infection with hepatitis B disease in HBV-positive liver transplant patients. Nabi-HB is not currently labeled for this use. In July 2006, the Blood Products Advisory Committee of the FDA rendered a positive opinion of our BLA for Nabi-HB Intravenous, voting to recommend approval of its use for the prevention of recurrence of hepatitis B disease after liver transplant. After the meeting, the FDA requested additional clarifying information, which we supplied in September 2006. Subsequently, the FDA has requested additional data from us and we have been working with them in fulfilling these requests, with the goal of having a full response submitted during the first quarter of 2008. After receiving this additional data, we expect that the FDA will be able to make a final decision on our BLA. The FDA usually follows the recommendations of its Advisory Committees, but it is not obligated to do so.

In April 2007, Cangene reported that the FDA had approved Cangene's BLA for HepaGam B™ for use to prevent hepatitis B recurrence following liver transplantation in HBV-positive liver transplant patients. We have been advised that Cangene has applied to the FDA for Orphan Drug designation for such use. If Cangene were to obtain an Orphan Drug designation the FDA would be prohibited from approving our BLA for Nabi-HB Intravenous for liver transplant patients during the seven-year exclusivity period afforded an Orphan Drug. There can be no assurance that Cangene will not obtain Orphan Drug designation for its product for use to prevent re-infection with hepatitis B disease in HBV-positive liver transplant patients.

Our inability to obtain licensure from the FDA for Nabi-HB Intravenous for use to prevent re-infection with hepatitis B disease in HBV-positive liver transplant patients would have an adverse effect on our future business, financial condition and results of operations because we would not be able to market Nabi-HB competitively against Cangene's product for such use. Even if we are successful in obtaining a BLA for Nabi-HB Intravenous, competition from Cangene's product will reduce sales of Nabi-HB, thereby having an adverse effect on our future business, financial condition and results of operations.

Additionally we have added risk factors in consideration of the anticipated Nabi Biologics sale.

*Our failure to close the Biologics SBU sale to Biotest could have material adverse consequences for the Company.*

We entered into an asset purchase agreement dated September 11, 2007 with Biotest pursuant to which we agreed to sell our Biologics SBU and certain of our CSS assets to Biotest for $185 million. Included in the assets to be sold are Nabi-HB and other plasma business assets, including Nabi's state-of-the-art plasma protein production plant, nine FDA-certified plasma collection centers across the U.S., and investigational products, IVIG, Civacir, anti-D and Altastaph. The asset sale will also include most of our CSS assets (other than cash and cash equivalents) and our Boca Raton, Florida headquarters and real properties. The asset purchase agreement may be terminated by either Biotest or us if the closing has not occurred by March 31, 2008, or upon the occurrence of certain specified events. In addition, if the asset purchase agreement is terminated because of a determination by our board of directors to accept an acquisition proposal that is a "Superior Transaction" as defined in the asset purchase agreement, we have agreed to pay Biotest a termination fee of $8.5 million. The closing is subject to certain closing conditions, including, but not limited to, consents, if required, to the assignment of specified material contracts, the expiration of the waiting period under the Hart-Scott-Rodino Act and certain other specified conditions.

There can be no assurance that the Biologics SBU sale will be concluded with Biotest. Our failure to close the Biologics SBU sale could have material adverse consequences for us, including the loss of $185 million in anticipated proceeds from the sale and significant disruption and dislocation to our business, as well as to our customers, partners and employees.

*If the Nabi Biologics sale is completed, our company will undergo significant changes and will face numerous uncertainties. Our inability to resolve these uncertainties and respond to these changes successfully or in a timely manner could have adverse consequences for the Company.*

In connection with the closing of the Nabi Biologics sale, our company and business will undergo significant changes. We will sell to Biotest all of our remaining revenue producing biopharmaceutical and antibody products and will lose the ability to generate revenues from product sales until we are able to bring to market one or more of our products in development, which pipeline products also will be reduced as a result of the sale, or otherwise elect to acquire new products. Most of our employees and management will cease employment with Nabi and be offered employment by Biotest Pharmaceuticals, which has agreed to provide certain transition services to us for six months after the transaction closing. After the closing, we plan to restructure our remaining business and staff, relocate our corporate headquarters to our Rockville, Maryland facility and determine what to do with the proceeds from the Biologics SBU sale. During this transition period, we will be dependent upon Biotest for certain general and administrative functions. Currently, we are uncertain of the nature and extent of the restructuring, our future business plan and our uses of the proceeds from the sale. We also are uncertain of the composition of our staff. If we are unable to successfully and timely complete this restructuring, determine and execute our business plan, and retain or hire key employees or otherwise obtain general and administrative services, our remaining assets could lose value. This could have substantial negative impact on our business and our stock price. Further, if we are unable to successfully and timely determine how to use the proceeds the Nabi Biologics sale, this could have substantial negative impacts on our business and our stock price.

*The Employment Agreement of Leslie Hudson, Ph.D., our interim President and Chief Executive Officer, expires on February 16, 2008. Our inability to find a successor Chief Executive Officer on a timely basis could have material adverse consequences for the Company.*

On October 15, 2007, we entered into a second six-month Employment Agreement, effective as of August 16, 2007, with Leslie Hudson, Ph.D. covering Dr. Hudson's employment as interim President and Chief Executive Officer of the Company from August 16, 2007 to February 16, 2008. Dr. Hudson, a director of the Company since 2005, has served as our interim President and Chief Executive Officer since February 15, 2007. Dr. Hudson has informed the Board that he does not intend to seek a third term as interim President and Chief Executive Officer of the Company. As a result, by February 16, 2008, we will need to find a successor to Dr. Hudson as President and Chief Executive Officer of the Company. Our inability to do so on a timely basis could make it more difficult for us to resolve the uncertainties and respond to the changes we will face after the Biologics SBU sale and could have a substantial negative impact on our continuing business and stock price.

*Under the asset purchase agreement, we will have continuing obligations to indemnify Biotest, and may be subject to other liabilities related to our commercial product lines.*

In connection with the anticipated sale of our Biologics SBU, we have agreed to indemnify Biotest for a number of specified matters including the breach of our representations, warranties and covenants contained in the asset purchase agreement. Under the agreement, $10 million of the total upfront cash payment will be deposited into an escrow account to secure our indemnification obligations to Biotest following the closing. Our indemnification obligations under the asset purchase agreement could cause us to be liable to Biotest under certain circumstances, in excess of the amounts set forth in the escrow account and potentially could reach up to 25% of the purchase price. Also under the asset purchase agreement, we will retain the liabilities related to our products sold prior to the consummation of the sale. These liabilities could be substantially higher than what we currently estimate. Either of these items could have a substantial negative impact on our continuing business and our stock price.

**Item 6. Exhibits**

| | |
|---|---|
| 2.1 | Asset Purchase Agreement by and among Nabi Biopharmaceuticals, Biotest Pharmaceuticals Corporation and Biotest AG, dated as of September 11, 2007 (incorporated by reference to Exhibit 2.1 to our Form 8-K filed on September 11, 2007). |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification |
| 31.2 | 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: November 8, 2007

By: /s/ Jordan I. Siegel
**Jordan I. Siegel**
Senior Vice President of Finance and Administration,
Chief Financial Officer and Treasurer

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## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
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| 32.1 | Section 1350 Certification |

**Exhibit 31.1**

**Nabi Biopharmaceuticals**

**CERTIFICATIONS**

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

I, Leslie Hudson, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: November 8, 2007

By: /s/ Leslie Hudson, Ph.D.
Leslie Hudson, Ph.D.
President and Interim Chief Executive Officer

**Exhibit 31.2**

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: November 8, 2007

By: /s/ Jordan I. Siegel

Jordan I. Siegel
Senior Vice President of Finance and Administration,
Chief Financial Officer and Treasurer

**EXHIBIT 32.1**

**Nabi Biopharmaceuticals**

**SECTION 1350 CERTIFICATION**

The undersigned officers of Nabi Biopharmaceuticals (the "Company") hereby certify that, as of the date of this statement, the Company's report on Form 10-Q for the quarter ended September 29, 2007 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that, to the best of their knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of September 29, 2007 and the results of operations of the Company for the three and nine months ended September 29, 2007.

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: November 8, 2007

By: /s/ Leslie Hudson, Ph.D.
Name: Leslie Hudson, Ph.D.
Title: President and Interim Chief Executive Officer

Date: November 8, 2007

By: /s/ Jordan I. Siegel
Name: Jordan I. Siegel
Title: Senior Vice President of Finance and Administration,
Chief Financial Officer and Treasurer