

NEOSE TECHNOLOGIES INC
Form 10-Q
August 04, 2005

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005.

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: 0-27718

NEOSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3549286

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

102 Witmer Road
Horsham, Pennsylvania

19044

(Address of principal executive offices)

(Zip Code)

(215) 315-9000

(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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 32,782,372 shares of common stock, \$.01 par value, were outstanding as of July 25, 2005.

NEOSE TECHNOLOGIES, INC.

INDEX

	<u>Page</u>
PART I.	
<u>FINANCIAL INFORMATION:</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Balance Sheets as of June 30, 2005 and December 31, 2004</u>	3
<u>Statements of Operations for the three and six months ended June 30, 2005 and 2004</u>	4
<u>Statements of Cash Flows for the six months ended June 30, 2005 and 2004</u>	5
<u>Notes to Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 4. <u>Controls and Procedures</u>	30
PART II.	
<u>OTHER INFORMATION:</u>	
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	31
Item 6. <u>Exhibits</u>	32
<u>SIGNATURES</u>	33

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****Neose Technologies, Inc.****Balance Sheets**

(unaudited)

(in thousands, except per share amounts)

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,208	\$ 45,048
Marketable securities	9,899	
Accounts receivable and other current assets	1,889	2,768
	<u>55,996</u>	<u>47,816</u>
Total current assets	55,996	47,816
Property and equipment, net	39,015	41,133
Intangible and other assets, net	1,257	1,782
	<u>96,268</u>	<u>90,731</u>
Total assets	\$ 96,268	\$ 90,731
Liabilities and Stockholders Equity		
Current liabilities:		
Note payable	\$ 449	\$ 4,586
Current portion of long-term debt and capital lease obligations	4,393	4,586
Accounts payable	1,062	1,783
Accrued compensation	1,298	1,916
Accrued expenses	1,834	2,052
Deferred revenue	1,390	1,560
	<u>10,426</u>	<u>11,897</u>
Total current liabilities	10,426	11,897
Long-term debt and capital lease obligations	11,714	13,759
Deferred revenue, net of current portion	3,526	3,688
Other liabilities	502	533
	<u>26,168</u>	<u>29,877</u>
Total liabilities	26,168	29,877
Stockholders equity:		
Preferred stock, par value \$.01 per share, 5,000 shares authorized, none issued		
Common stock, par value \$.01 per share, 50,000 shares authorized; 32,782 and 24,717 shares issued and outstanding	328	247
Additional paid-in capital	278,721	248,027
Deferred compensation	(16)	(39)
Accumulated deficit	(208,933)	(187,381)
	<u>70,100</u>	<u>60,854</u>
Total stockholders equity	70,100	60,854
Total liabilities and stockholders equity	\$ 96,268	\$ 90,731

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

Neose Technologies, Inc.

Statements of Operations

(unaudited)

(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Revenue from collaborative agreements	\$ 1,420	\$ 891	\$ 2,768	\$ 2,141
Operating expenses:				
Research and development	8,987	7,788	18,612	15,666
General and administrative	2,806	3,324	5,784	6,186
Total operating expenses	11,793	11,112	24,396	21,852
Operating loss	(10,373)	(10,221)	(21,628)	(19,711)
Other income			22	
Interest income	419	131	723	236
Interest expense	(331)	(236)	(669)	(354)
Net loss	\$ (10,285)	\$ (10,326)	\$ (21,552)	\$ (19,829)
Basic and diluted net loss per share	\$ (0.31)	\$ (0.47)	\$ (0.71)	\$ (0.94)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	32,782	22,146	30,378	21,050

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

Neose Technologies, Inc.

Statements of Cash Flows

(unaudited)
(in thousands)

	Six months ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net loss	\$ (21,552)	\$ (19,829)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	3,100	2,840
Non-cash compensation expense	324	83
Loss (gain) on disposition of property and equipment	(21)	1
Changes in operating assets and liabilities:		
Accounts receivable and other current assets	937	(736)
Intangible and other assets		2
Accounts payable	(721)	(611)
Accrued compensation	(236)	(908)
Accrued expenses	(180)	631
Deferred revenue	(332)	845
Other liabilities	(31)	(88)
Net cash used in operating activities	(18,712)	(17,770)
Cash flows from investing activities:		
Purchases of property and equipment	(656)	(7,691)
Proceeds from sale of property and equipment	70	
Purchases of marketable securities	(9,845)	
Net cash used in investing activities	(10,431)	(7,691)
Cash flows from financing activities:		
Proceeds from issuance of debt	701	11,441
Repayments of debt	(2,490)	(5,051)
Debt issuance costs		(122)
Restricted cash related to debt		901
Proceeds from issuance of common stock, net	30,092	30,014
Proceeds from exercise of stock options and warrants		73
Net cash provided by financing activities	28,303	37,256
Net increase (decrease) in cash and cash equivalents	(840)	11,795
Cash and cash equivalents, beginning of period	45,048	48,101
Cash and cash equivalents, end of period	\$ 44,208	\$ 59,896

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

NEOSE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

(unaudited)

(in thousands, except per share amounts)

1.&nb