

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

AP PHARMA INC /DE/

CIK: **818033** | IRS No.: **942875566** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-16109** | Film No.: **04968406**
SIC: **2834** Pharmaceutical preparations

Mailing Address

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REDWOOD CITY CA 94063*

Business Address

*123 SAGINAW DRIVE
REDWOOD CITY CA 94063
6503662626*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): August 12, 2004

A.P. PHARMA, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

1-16109

94-2875566

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

123 SAGINAW DRIVE, REDWOOD CITY, CALIFORNIA 94063

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code:
(650) 366-2626

N/A

(Former Name or Former Address, if Changed Since Last Report)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 7. Financial Statements, Pro Forma Financial Information
and Exhibits.

(c) Exhibits

99.1 Press release dated August 12, 2004.

ITEM 12. Results of Operations and Financial Condition.

The following information is disclosed pursuant to Item 12 of Form 8-K:

On August 12, 2004, the Registrant issued a press release announcing its financial results for the fiscal quarter ended June 30, 2004. The press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

SIGNATURE

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 hereunto duly authorized.

A.P. PHARMA, INC.

Date: August 12, 2004

By: /S/ Michael O'Connell

Michael P. J. O'Connell,
President and Chief
Executive Officer

EXHIBIT INDEX

99.1 Press release dated August 12, 2004.

(continued from previous page)

Exhibit 99.1

A.P. Pharma Logo

News Release

A.P. PHARMA REPORTS SECOND QUARTER FINANCIAL RESULTS

REDWOOD CITY, Calif. (August 12, 2004) - A.P. Pharma, Inc. (NASDAQ NM: APPA), a specialty pharmaceutical company, today reported financial results for the three months ended June 30, 2004, reflecting increased royalty income and contract revenues as well as higher research and development expense due to the company's Phase 2 trial with APF112 and Phase 1 trial with APF530.

Second Quarter Financial Highlights

- * Total revenues for the second quarter increased 15% to \$1,284,000.
- * Royalties from Retin-A Micro(R) grew by over 9%.
- * Increased contract revenues reflect reimbursements from a new collaborator in an ophthalmic application.
- * Research and development expense increased by 27% as a result of clinical trials on APF112 and APF530.
- * The Company completed a financing of approximately 4.2 million shares raising net proceeds of approximately \$11.8 million.
- * Cash, cash equivalents and short-term investments were \$16.7 million at June 30, 2004.

Financial Results

A.P. Pharma reported that total revenues for the second quarter of 2004 increased 15% to \$1,284,000, compared with \$1,117,000 for the second quarter of 2003. This increase was primarily due to a continuing increase in royalty income from Retin-A Micro marketed by OrthoNeutrogena, a Johnson & Johnson company, and to an increase in contract revenues for reimbursable research and development feasibility studies, primarily from a new collaborator in an ophthalmic application.

Research and development expense for the second quarter of 2004 increased to \$2,963,000 from \$2,335,000 for the second quarter of 2003. This increase was mainly due to the costs of Part 2 of the Phase 2 clinical study being conducted using APF112 for the treatment of post-surgical pain and a Phase 1 study being performed in the U.K. using APF530 for the treatment of chemotherapy-induced nausea and vomiting.

The net loss for the second quarter of 2004 was \$2,444,000, or \$0.12 per share, compared with a net loss for the second quarter of 2003 of \$1,960,000, or \$0.10 per share.

Cash, cash equivalents and marketable securities increased to \$16.7 million at June 30, 2004 as a result of the sale in June 2004 of

approximately 4.2 million shares of common stock. The net proceeds from the financing, which was completed pursuant to a "shelf" registration statement, were approximately \$11.8 million.

About A.P. Pharma

A.P. Pharma is a specialty pharmaceutical company focused on the development of ethical (prescription) pharmaceuticals utilizing its proprietary polymer-based drug delivery systems. The Company's primary focus is the development and commercialization of its bioerodible injectable and implantable systems under the trade name Biochronomer. Initial target areas of application for the Company's drug delivery technology include pain management, anti-nausea, inflammation, oncology and ophthalmology applications. The Company's product development programs are funded by the sale of common stock, royalties from topical products currently marketed by pharmaceutical partners, proceeds from the divestitures of its cosmeceutical and analytical standards product lines and by fees it receives from collaborative partners. For further information visit the Company's web site at www.appharma.com.

Forward-looking Statements

Except for historical information, this news release contains certain forward-looking statements that involve risks and uncertainties including, among others, uncertainty associated with timely development, approval, launch and acceptance of new products, establishment of new corporate alliances and progress in research and development programs. Other risks and uncertainties associated with the Company's business and prospects are identified in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to revise these forward-looking statements to reflect events or circumstances occurring in the future.

Investor Relations Contacts:
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Jody Cain (jcain@lhai.com)
Bruce Voss (bvoss@lhai.com)
(310) 691-7100
(Financial tables follow)

Company Contact:
Gordon Sangster
Chief Financial Officer
(650) 366-2626

A.P. Pharma, Inc.
Statement of Operations Highlights
(in thousands, except per share data)
(Unaudited)

<TABLE>
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	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	-----	-----	-----	-----
<S> Royalties	<C> \$1,103	<C> \$1,031	<C> \$2,257	<C> \$2,063

Contract Revenues	181	86	206	160
	-----	-----	-----	-----
Total Revenues	1,284	1,117	2,463	2,223
Operating Expenses:				
Research & Development	2,963	2,335	5,999	4,537
General & Administrative	762	766	1,486	1,544
	-----	-----	-----	-----
Total Operating Expenses	3,725	3,101	7,485	6,081
Operating Loss	(2,441)	(1,984)	(5,022)	(3,858)
Interest Income and Other, Net	49	54	79	129
	-----	-----	-----	-----
Loss from Continuing Operations	(2,392)	(1,930)	(4,943)	(3,729)
Gain (Loss) from Discontinued Operations	(52)	(30)	(101)	1,802
	-----	-----	-----	-----
Net Loss	(\$2,444)	(\$1,960)	(\$5,044)	(\$1,927)
	=====	=====	=====	=====
Basic and Diluted Loss per Share:				
Loss from Continuing Operations	(\$0.11)	(\$0.09)	(\$0.24)	(\$0.18)
	=====	=====	=====	=====
Net Loss	(\$0.12)	(\$0.10)	(\$0.24)	(\$0.09)
	=====	=====	=====	=====
Shares used in Calculating Loss per Share:				
Basic and Diluted	21,048	20,535	20,850	20,505
	=====	=====	=====	=====

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A.P. Pharma, Inc.
Balance Sheet Highlights
(in thousands)

<TABLE>

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	June 30, 2004 (Unaudited)	December 31, 2003
	-----	-----
<S>	<C>	<C>
Assets		
Cash, Cash Equivalents and Marketable Securities	\$16,657	\$ 9,484
Accounts Receivable, Net	1,287	1,340
Other Current Assets	462	434
	-----	-----

Total Current Assets	18,406	11,258
Property, Plant & Equipment, Net	1,366	1,430
Other Non-Current Assets	282	467
	-----	-----
Total Assets	\$20,054	\$13,155
	=====	=====

Liabilities and Shareholders' Equity

Current Liabilities	\$ 1,833	\$ 1,892
Shareholders' Equity	18,221	11,263
Total Liabilities and Shareholders' Equity	\$20,054	\$13,155
	=====	=====

</TABLE>