

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

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 #0-4829-03

NABI

-----  
(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)

-----  
(Zip Code)

(Registrant's telephone number, including area code): (561) 989-5800  
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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, and (2) has been subject to such filing requirements for the past 90 days.

YES (X)      NO ( )

The number of shares outstanding of registrant's common stock at May 9, 1997 was 34,743,416 shares.

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)

NABI

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NABI

## PART I Financial Information

## Item 1 Financial Statements

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 CONSOLIDATED BALANCE SHEET

(IN THOUSANDS)	(UNAUDITED) March 31, 1997	December 31, 1996
-----		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,329	\$ 18,513
Short-term investments	--	8,797
Trade accounts receivable, net	37,523	38,127
Inventories, net	34,258	28,395
Prepaid expenses and other assets	3,782	4,269
	-----	-----
TOTAL CURRENT ASSETS	95,892	98,101
PROPERTY AND EQUIPMENT, NET	66,668	60,587
OTHER ASSETS:		
Excess of acquisition cost over net assets acquired, net	17,799	18,072
Intangible assets, net	9,293	9,684
Other, net	17,502	15,698
	-----	-----
TOTAL ASSETS	\$ 207,154	\$ 202,142
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 7,995	\$ 9,800
Accrued expenses	15,750	22,484
Notes payable	4,525	2,187
	-----	-----
TOTAL CURRENT LIABILITIES	28,270	34,471
NOTES PAYABLE	91,158	81,278
OTHER	343	332
	-----	-----
TOTAL LIABILITIES	119,771	116,081
	-----	-----
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, par value \$.10 per share: 5,000 shares authorized; no shares outstanding	--	--
Common stock, par value \$.10 per share: 75,000 shares authorized, 34,720 and 34,614 shares issued and outstanding, respectively	3,472	3,461
Capital in excess of par value	136,385	136,424
Accumulated deficit	(52,474)	(53,824)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	87,383	86,061
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 207,154	\$ 202,142
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.



NABI

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 CONSOLIDATED STATEMENT OF OPERATIONS  
 -----

(In Thousands, Except Per Share Data)	(UNAUDITED) Three Months Ended March 31,	
	1997	1996
SALES	\$ 56,377	\$ 58,552
COSTS AND EXPENSES:		
Costs of products sold	43,185	44,839
Research and development expense	3,798	4,390
Selling, general and administrative expense	4,400	5,131
Royalty expense	1,209	1,248
Other operating expense, principally freight and amortization	934	903
	-----	-----
OPERATING INCOME	2,851	2,041
INTEREST AND OTHER INCOME	187	326
INTEREST AND OTHER EXPENSE	(987)	(891)
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY CHARGE	2,051	1,476
PROVISION FOR INCOME TAXES	(701)	(59)
	-----	-----
INCOME BEFORE EXTRAORDINARY CHARGE	1,350	1,417
EXTRAORDINARY CHARGE	--	(932)
	-----	-----
NET INCOME	\$ 1,350	\$ 485
	=====	=====
EARNINGS PER SHARE:		
Income before extraordinary charge	\$ 0.04	\$ 0.04
Extraordinary charge	--	(0.03)
	-----	-----
Net income	\$ 0.04	\$ 0.01
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES AND COMMON SHARE EQUIVALENTS	35,613	35,710
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

NABI

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 CONSOLIDATED STATEMENT OF CASH FLOWS  
 -----

(UNAUDITED)  
 Three Months Ended March 31,

(In Thousands)

	1997	1996
-----		
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 1,350	\$ 485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,130	1,955
Provision for doubtful accounts	100	60
Extraordinary charge	--	932
Other	(16)	21
Change in assets and liabilities:		
Decrease (increase) in trade accounts receivable	505	(8,928)
Decrease (increase) in inventories	(5,863)	890
Decrease (increase) in prepaid expenses and other assets	486	679
Decrease (increase) in other assets	(2,049)	(793)
Increase (decrease) in accounts payable and accrued liabilities	(8,863)	(2,090)
Total adjustments	(13,570)	(7,274)
NET CASH USED BY OPERATING ACTIVITIES	(12,220)	(6,789)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	--	(16,217)
Proceeds from maturity of short-term investments	8,850	--
Capital expenditures	(7,332)	(3,732)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,518	(19,949)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of convertible subordinated debentures	--	77,884
Repayments of flexible term notes	--	(14,500)
Repayments of term debt	--	(10,172)
Borrowing (repayments) under line of credit, net	10,000	(6,760)
Other debt	2,209	(1,894)
Proceeds from the exercise of options and warrants	309	456
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,518	45,014
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,816	18,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,513	3,991
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 20,329	\$ 22,267
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

## NABI

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

## NOTE 1 -- GENERAL

NABI is a vertically integrated biopharmaceutical company that supplies human blood plasma and develops and commercializes therapeutic products for the prevention and treatment of infectious diseases and immunological disorders.

The consolidated financial statements include the accounts of NABI and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in NABI's Annual Report to Stockholders for the year ended December 31, 1996.

In the opinion of management, the unaudited consolidated financial statements include all adjustments necessary to present fairly NABI's consolidated financial position at March 31, 1997 and the consolidated results of its operations for the three months ended March 31, 1997 and 1996. The interim results of operations are not necessarily indicative of the results which may occur for the fiscal year.

## NOTE 2 -- INVENTORIES

The components of inventories, stated at the lower of cost (FIFO) or market, are as follows:

(In Thousands)	MARCH 31, 1997	DECEMBER 31, 1996
	-----	-----
Finished goods	\$ 30,026	\$ 23,610
Work in process	1,692	1,836
Raw materials	8,680	8,504
	-----	-----
	40,398	33,950
Less: reserves	(6,140)	(5,555)
	-----	-----
	\$ 34,258	\$ 28,395
	=====	=====

## NOTE 3 -- PROPERTY AND EQUIPMENT

Property and equipment and related allowances for depreciation and amortization are summarized below:

(In Thousands)	MARCH 31, 1997	DECEMBER 31, 1996
	-----	-----
Land and buildings	\$ 7,214	\$ 7,155
Furniture and fixtures	4,788	4,907
Machinery and equipment	22,513	21,531
Leasehold improvements	15,279	15,106
Construction in progress	38,287	32,298
	-----	-----
Total property and equipment	88,081	80,997
Less: accumulated depreciation and amortization	(21,413)	(20,410)
	-----	-----
	\$ 66,668	\$ 60,587
	=====	=====

Construction in progress consists primarily of costs incurred in connection with construction of NABI's biopharmaceutical facility and includes capitalized interest of \$3,263 and \$2,757 at March 31, 1997 and December 31, 1996, respectively.

## NOTE 4 -- RECLASSIFICATIONS

Certain items in the consolidated financial statements for the 1996 period have been reclassified for comparative purposes.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

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The following is a discussion and analysis of the major factors contributing to NABI's financial condition and results of operations for the three month periods ended March 31, 1997 and 1996. The discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto. All dollar amounts are expressed in thousands except per share amounts.

RESULTS OF OPERATIONS

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The following table sets forth NABI's results of operations expressed as a percentage of sales:

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	-----	-----
Sales	100.0%	100.0%
Cost of products sold	76.6	76.6
	-----	-----
Gross profit margin	23.4	23.4
Research and development expense	6.7	7.5
Selling, general and administrative expense	7.8	8.8
Royalty expense	2.1	2.1
Other operating expense	1.7	1.5
	-----	-----
Operating income	5.1	3.5
Interest and other income	0.3	0.5
Interest and other expense	(1.8)	(1.5)
	-----	-----
Income before provision for income taxes and extraordinary charge	3.6	2.5
Provision for income taxes	(1.2)	(0.1)
	-----	-----
Income before extraordinary charge	2.4	2.4
Extraordinary charge	--	(1.6)
	-----	-----
Net income	2.4%	0.8%
	=====	=====

Information concerning NABI's sales by industry segment, for the respective periods, is set forth in the following table.

SEGMENT	THREE MONTHS ENDED MARCH 31,			
	1997		1996	
	-----	-----	-----	-----
Plasma -Source	\$33,896	60.2%	\$30,627	52.3%
-Specialty	16,256	28.8	21,661	37.0
	-----	-----	-----	-----
	50,152	89.0	52,288	89.3
Immunotherapeutic products	4,908	8.7	4,797	8.2
Diagnostic products and services	1,317	2.3	1,467	2.5
	-----	-----	-----	-----
Total	\$56,377	100.0%	\$58,552	100.0%
	=====	=====	=====	=====

THREE MONTHS ENDED MARCH 31, 1997 AND 1996  
-----

**SALES.** Sales for the first quarter of 1997 declined by \$2.2 million to \$56.4 million compared to \$58.6 million for the first quarter of 1996. The decrease was primarily attributable to a decline in the volume of specialty plasma shipments, resulting from normal quarterly fluctuations in product deliveries to customers.

**GROSS PROFIT MARGIN.** Gross profit and related margin for the first quarter of 1997 was \$13.2 million, or 23.4% of sales, compared to \$13.7 million, or 23.4% of sales, in the first quarter of 1996. Gross profit margins were consistent with the prior quarter due to improved gross margins for immunotherapeutic products, offset by the effects of lower margin plasma product sales.

**RESEARCH AND DEVELOPMENT EXPENSE.** Research and development expense was \$3.8 million, or 6.7% of sales, for the first quarter of 1997 compared to \$4.4 million, or 7.5% of sales, in the first quarter of 1996. The decrease in expense related primarily to the discontinuation of clinical trials for HyperGam+CF during June 1996.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSE.** Selling, general and administrative expense was \$4.4 million, or 7.8% of sales, for the first quarter of 1997 compared to \$5.1 million, or 8.8% of sales, in the first quarter of 1996. The decrease resulted primarily from a reduction of personnel related expenses.

**INTEREST AND OTHER EXPENSE, NET.** Interest and other expense, net for the first quarter of 1997 was \$.8 million, or 1.4% of sales, compared to \$.6 million, or 1.0% of sales, in the first quarter of 1996. The increase was primarily attributable to higher average outstanding borrowings and less average outstanding investments when compared to 1996.

**OTHER FACTORS.** Provision for income taxes was \$.7 million or an effective rate of 34% in the first quarter of 1997 compared to \$59,000, or an effective rate of 4%, in the first quarter of 1996. The 34% effective tax rate for the first quarter of 1997 differs from the statutory rate of 35% primarily due to foreign trade income, offset by the effects of non-deductible goodwill and state income taxes. The 4% effective tax rate for the first quarter of 1996 differs from the statutory rate of 35% primarily due to the utilization of previously reserved net operating loss carryforwards.

The first quarter of 1996 reflects an extraordinary charge of \$.9 million, or \$.03 per share, due to the immediate recognition and expense of debt issue costs associated with NABI's early extinguishment of its bank debt through the application of a portion of the net proceeds of the 6.5% Convertible Subordinated Notes issued during the first quarter of 1996.

LIQUIDITY AND CAPITAL RESOURCES  
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At March 31, 1997, NABI's credit agreement, provided for a \$20 million revolving credit facility maturing on December 31, 1998. NABI had \$10 million of indebtedness outstanding as of March 31, 1997 under this facility which is secured by substantially all of NABI's assets. The credit agreement contains covenants requiring the maintenance of various financial ratios and prohibits the payment of dividends.

As of March 31, 1997, NABI's current assets exceeded current liabilities by \$67.6 million as compared to a net working capital position of \$63.6 million at December 31, 1996.

Projected capital expenditures for 1997 include validation costs for manufacturing facilities, development of financial and donor management systems, and plasma center renovations. NABI believes that cash on hand, its available bank line of credit and cash flow from operations will be sufficient to meet its anticipated cash requirements for 1997.

## FACTORS TO BE CONSIDERED

The parts of this Quarterly Report on Form 10-Q captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" contain certain forward-looking statements which involve risks and uncertainties. Readers should refer to a discussion under "Factors to be Considered" contained in NABI's Annual Report on Form 10-K for the year ended December 31, 1996 concerning certain factors that could cause NABI's actual results to differ materially from the results anticipated in such forward-looking statements. Said discussion is hereby incorporated by reference into this Quarterly Report.

## PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS  
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NABI is a party to litigation in the ordinary course of business. There have been no material developments in any of the legal proceedings reported in NABI's Annual Report on Form 10-K for the year ended December 31, 1996. NABI does not believe that any such litigation will have a material adverse effect on its business, financial position or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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a. Exhibits

11	Calculation of Earnings Per Share.....	13
27	Financial Data Schedule (for S.E.C. use only)	

b. Reports on Form 8-K:

None

SIGNATURES

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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

DATE: May 12, 1997

By: /s/ ALFRED J. FERNANDEZ  
-----  
ALFRED J. FERNANDEZ  
Senior Vice President and  
Chief Financial Officer

## EXHIBIT 11

NABI

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CALCULATION OF EARNINGS PER SHARE

(In Thousands, Except Per Share Data)	Three Months Ended March 31,	
	1997	1996
-----	-----	-----
Net income	\$ 1,350 =====	\$ 485 =====
Weighted average number of common shares outstanding during the period	34,677	34,033
Add dilutive effect of common stock equivalents:		
Stock options and warrants (as determined by the application of the treasury stock method)	936 -----	1,677 -----
Weighted average number of shares and common share equivalents used in primary earnings per share computations	35,613 =====	35,710 =====
Earnings per share	\$ 0.04 =====	\$ 0.01 =====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT MARCH 31, 1997 (UNAUDITED) AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	
	DEC-31-1997
	JAN-01-1997
	MAR-31-1997
	20,329
	0
	37,523
	0
	34,258
	95,892
	66,668
	0
	207,154
28,270	
	91,158
0	
	0
	139,857
	(52,474)
207,154	
	56,377
	56,377
	43,185
	43,185
	10,341
	0
	800
	2,051
	701
1,350	
	0
	0
	0
	1,350
	0.04
	0

RECEIVABLES, INVENTORY AND PP&E REPRESENT NET AMOUNTS.  
LOSS PROVISION INCLUDED IN OTHER EXPENSES.