

PHARMION CORP  
Form 10-Q  
November 09, 2005

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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 30, 2005**

**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 000-50447**  
**PHARMION CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**84-1521333**

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

**2525 28th Street, Boulder, Colorado 80301**

*(Address of principal executive offices)*

**(720) 564-9100**

*(Registrant's telephone number)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

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

As of November 4, 2005, there were 31,872,306 shares of the Registrant's Common Stock outstanding.

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**PART I  
FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements**

**PHARMION CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except for share amounts)**

	<b>September 30, 2005 (Unaudited)</b>	<b>December 31, 2004</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 72,531	\$ 119,658
Short-term investments	163,717	125,885
Accounts receivable, net of allowances of \$3,585 and \$2,210, respectively	33,962	35,193
Inventories	8,889	3,688
Other current assets	4,142	4,396
Total current assets	283,241	288,820
Product rights, net	106,695	108,478
Goodwill	13,142	9,426
Property and equipment, net	6,773	4,284
Other assets	161	223
Total assets	\$ 410,012	\$ 411,231
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,175	\$ 9,891
Accrued liabilities	35,878	45,563
Total current liabilities	42,053	55,454
Deferred tax liability	3,184	3,606
Other long-term liabilities	914	218
Total liabilities	46,151	59,278
Stockholders equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized and 31,865,896 and 31,780,715 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	32	32
Preferred stock, \$0.001, 10,000,000 shares authorized, no shares issued and outstanding at September 30, 2005 and December 31, 2004		
Additional paid-in capital	482,799	482,661
Deferred compensation	(286)	(680)
Other comprehensive income	761	8,036
Accumulated deficit	(119,445)	(138,096)

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Total stockholders' equity	363,861	351,953
Total liabilities and stockholders' equity	\$ 410,012	\$ 411,231

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

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**PHARMION CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except for share and per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended,</b>	
	<b>September 30,</b>		<b>September, 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Net sales	\$ 56,805	\$ 42,576	\$ 164,798	\$ 78,692
Operating expenses:				
Cost of sales, including royalties of \$11,017 and \$9,817 for the three months ended September 30, 2005 and 2004, respectively; and royalties of \$32,052 and \$19,532 for the nine months ended September 30, 2005 and 2004, respectively	15,355	14,169	44,422	27,931
Clinical, development and regulatory	9,799	7,383	29,062	21,116
Selling, general and administrative	19,483	18,592	62,781	42,808
Product rights amortization	2,443	720	6,909	2,160
Total operating expenses	47,080	40,864	143,174	94,015
Operating income (loss)	9,725	1,712	21,624	(15,323)
Interest and other income, net	1,535	911	4,530	722
Income (loss) before taxes	11,260	2,623	26,154	(14,601)
Income tax expense	2,432	2,978	7,503	5,545
Net income (loss)	\$ 8,828	\$ (355)	\$ 18,651	\$ (20,146)
Net income (loss) per common share:				
Basic	\$ 0.28	\$ (0.01)	\$ 0.59	\$ (0.75)
Diluted	\$ 0.27	\$ (0.01)	\$ 0.57	\$ (0.75)
Weighted average number of common and common equivalent shares used to calculate net income (loss) per common share:				
Basic	31,844,331	30,381,691	31,823,939	26,688,333
Diluted	32,868,766	30,381,691	32,919,643	26,688,333

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

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**PHARMION CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operating activities</b>		
Net income (loss)	\$ 18,651	\$ (20,146)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,759	3,650
Compensation expense related to stock option issuance	156	389
Other	(122)	305
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,299)	(23,564)
Inventories	(5,771)	1,650
Other current assets	(139)	135
Other long-term assets	52	332
Accounts payable	(3,167)	(528)
Accrued liabilities	(90)	18,416
Net cash provided by (used in) operating activities	17,030	(19,361)
<b>Investing activities</b>		
Purchases of property and equipment	(4,721)	(996)
Payments for acquisition of business	(10,072)	(19)
Addition to product rights	(5,000)	
Purchase of available-for-sale investments	(156,696)	(131,855)
Sale and maturity of available-for-sale investments	118,843	16,308