

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

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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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: 0-4829-03

NABI

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

59-1212264

(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

The number of shares outstanding of registrant's common stock at April 28, 2001 was 37,897,116 shares.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except per Share Data)	(UNAUDITED) MARCH 31, 2001	DECEMBER 30, 2000
-----		
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,270	\$ 1,554
Trade accounts receivable, net	30,262	38,315
Inventories, net	29,898	32,602
Prepaid expenses and other current assets	5,410	5,405
	-----	-----
TOTAL CURRENT ASSETS	67,840	77,876
PROPERTY AND EQUIPMENT, NET	122,105	120,188
OTHER ASSETS:		
Goodwill	12,327	12,509
Intangible assets, net	6,896	7,091
Other, net	6,697	6,823
	-----	-----
TOTAL ASSETS	\$ 215,865	\$ 224,487
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 13,921	\$ 15,923
Accrued expenses	15,177	21,359
Notes payable	1,000	1,000
	-----	-----
TOTAL CURRENT LIABILITIES	30,098	38,282
NOTES PAYABLE	107,369	108,535
OTHER LIABILITIES	263	276
	-----	-----
TOTAL LIABILITIES	137,730	147,093
	-----	-----
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; 37,866 and 37,833 shares issued and outstanding, respectively	3,787	3,783
Capital in excess of par value	152,694	152,642
Accumulated deficit	(78,346)	(79,031)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	78,135	77,394
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 215,865	\$ 224,487
	=====	=====

See accompanying notes to consolidated financial statements

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 CONSOLIDATED STATEMENTS OF OPERATIONS  
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(UNAUDITED)  
 FOR THE THREE MONTHS ENDED  
 -----

(Amounts in Thousands, Except per Share Data)

MARCH 31, 2001

APRIL 1, 2000  
 -----

SALES	\$ 60,178	\$ 55,840
COSTS AND EXPENSES:		
Costs of products sold	44,177	38,462
Royalty expense	2,364	2,921
Selling, general and administrative expense	8,929	8,435
Research and development expense	2,978	3,995
Other operating expense, principally freight and amortization	456	500
	-----	-----
OPERATING INCOME	1,274	1,527
INTEREST INCOME	6	126
INTEREST EXPENSE	(534)	(1,025)
OTHER (EXPENSE) INCOME, NET	(25)	71
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	721	699
PROVISION FOR INCOME TAXES	(36)	(22)
	-----	-----
NET INCOME	\$ 685	\$ 677
	=====	=====
BASIC EARNINGS PER SHARE	\$ 0.02	\$ 0.02
	=====	=====
DILUTED EARNINGS PER SHARE	\$ 0.02	\$ 0.02
	=====	=====
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	37,840	35,386
	=====	=====
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	38,687	36,828
	=====	=====

See accompanying notes to consolidated financial statements

NABI

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 CONSOLIDATED STATEMENTS OF CASH FLOWS  
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(UNAUDITED)  
 FOR THE THREE MONTHS ENDED

(Dollars in Thousands)

-----  
 MARCH 31, 2001                      APRIL 1, 2000  
 -----

CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 685	\$ 677
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,674	2,528
Provision for doubtful accounts	--	224
Provision for slow-moving or obsolete inventory	1,617	455
Other	23	14
Changes in assets and liabilities:		
Decrease in trade accounts receivable	8,053	11,032
Decrease in inventories	1,087	813
(Increase) decrease in prepaid expenses and other assets	(5)	1,620
Increase in other assets	(9)	(172)
Decrease in accounts payable and accrued liabilities	(8,197)	(13,887)
Total adjustments	5,243	2,627
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,928	3,304
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(4,061)	(3,958)
Expenditures for other assets	(41)	--
NET CASH USED BY INVESTING ACTIVITIES	(4,102)	(3,958)
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments under line of credit	(916)	(306)
Repayments of term debt	(250)	--
Other debt repayments	--	(38)
Proceeds from exercise of employee stock options	56	3,066
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(1,110)	2,722
NET INCREASE IN CASH	716	2,068
CASH AT BEGINNING OF PERIOD	1,554	806
CASH AT END OF PERIOD	\$ 2,270	\$ 2,874
	=====	=====

See accompanying notes to consolidated financial statements

NABI

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

## NOTE 1 OVERVIEW

Nabi is focused on the discovery, development and commercialization of products that prevent and treat infectious and autoimmune diseases. We are nearing completion of a multi-year transition from being a leading provider of antibody products into becoming a vertically integrated biopharmaceutical company. We currently have an extensive pipeline of innovative drugs and vaccines in clinical and pre-clinical development and have four marketed biopharmaceutical products: Nabi-HB(TM) [Hepatitis B Immune Globulin (Human)], WinRho SDF(R) [Rho (D) Immune Globulin Intravenous (Human)], Autoplex(R) T [Anti-Inhibitor Coagulant Complex, Heat Treated] and Aloprim(TM) [(Allopurinol sodium) for Injection]. We are also one of the largest collectors and suppliers of specialty and non-specific antibody products in the world. We collect these products from an extensive donor base in the U.S. Some of these antibodies are used in the production of our biopharmaceutical products. Most are supplied to other biopharmaceutical and diagnostic companies for the manufacture of numerous products.

The consolidated financial statements include the accounts of Nabi and its subsidiaries. All significant intercompany accounts and transactions were eliminated during consolidation. These statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 30, 2000.

In the opinion of management, the unaudited consolidated financial statements include all adjustments necessary to present fairly, our consolidated financial position as of March 31, 2001 and the consolidated results of our operations and cash flows for the three months ended March 31, 2001 and April 1, 2000. The interim results of operations are not necessarily indicative of the results that may occur for the fiscal year.

## NOTE 2 INVENTORIES

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

(Dollars in Thousands)	MARCH 31, 2001	DECEMBER 30, 2000
Finished goods	\$ 26,849	\$ 28,852
Work in process	1,013	1,055
Raw materials	2,036	2,695
<b>TOTAL</b>	<b>\$ 29,898</b>	<b>\$ 32,602</b>

## NOTE 3 EARNINGS PER SHARE

The following is a reconciliation between basic and diluted earnings per share:

(Amounts in Thousands, Except per Share Data)	BASIC EPS	EFFECT OF DILUTIVE SECURITIES: STOCK OPTIONS	DILUTED EPS
-----			
FOR THE THREE MONTHS ENDED MARCH 31, 2001			
Net income	\$ 685	\$ --	\$ 685
Shares	37,840	847	38,687
Per share	\$ 0.02	\$ --	\$ 0.02
-----			
FOR THE THREE MONTHS ENDED APRIL 1, 2000			
Net income	\$ 677	\$ --	\$ 677
Shares	35,386	1,442	36,828
Per share	\$ 0.02	\$ --	\$ 0.02
=====			

## NOTE 4 OPERATING SEGMENT INFORMATION

The following table presents information related to our two operating business segments:

(Dollars in Thousands)	FOR THE THREE MONTHS ENDED	
	MARCH 31, 2001	APRIL 1, 2000
-----		
SALES:		
Biopharmaceutical products	\$ 15,114	\$ 16,221
Antibody products	45,064	39,619
TOTAL	\$ 60,178	\$ 55,840
=====		
OPERATING INCOME (LOSS):		
Biopharmaceutical products	\$ 1,800	\$ 1,925
Antibody products	(526)	(398)
TOTAL	\$ 1,274	\$ 1,527
=====		

The following summary reconciles reportable segment operating income to income before provision for income taxes:

(Dollars in Thousands)	FOR THE THREE MONTHS ENDED	
	MARCH 31, 2001	APRIL 1, 2000
-----		
INCOME BEFORE PROVISION FOR INCOME TAXES:		
Reportable segment operating income	\$ 1,274	\$ 1,527
Unallocated interest income	6	126
Unallocated interest expense	(534)	(1,025)
Unallocated other (expense) income, net	(25)	71
	-----	-----
Income before provision for income taxes	\$ 721	\$ 699
	=====	=====

## 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 months ended March 31, 2001 and April 1, 2000. The discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto. All dollar amounts are expressed in thousands, except per share data.

### RESULTS OF OPERATIONS

The following table sets forth our results of operations expressed as a percentage of sales:

	FOR THE THREE MONTHS ENDED	
	MARCH 31, 2001	APRIL 1, 2000
-----		
SALES	100.0%	100.0%
Costs of products sold	73.4	68.9
Royalty expense	3.9	5.2
Selling, general and administrative expense	14.8	15.1
Research and development expense	5.0	7.2
Other operating expense	0.8	0.9
	-----	-----
OPERATING INCOME	2.1	2.7
INTEREST INCOME	--	--
INTEREST EXPENSE	(0.9)	(1.8)
OTHER (EXPENSE) INCOME, NET	--	0.3
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	1.2	1.2
PROVISION FOR INCOME TAXES	(0.1)	--
	-----	-----
NET INCOME	1.1%	1.2%
	=====	=====



Information concerning our sales by operating segments is set forth in the following table:

(Dollars in Thousands)	FOR THE THREE MONTHS ENDED			
	MARCH 31, 2001		APRIL 1, 2000	
Biopharmaceutical products	\$ 15,114	25.1%	\$ 16,221	29.0%
Antibody products:				
-Specialty antibodies	14,626	24.3	14,209	25.5
-Non-specific antibodies	30,438	50.6	25,410	45.5
	45,064	74.9	39,619	71.0
TOTAL	\$ 60,178	100.0%	\$ 55,840	100.0%

FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND APRIL 1, 2000

SALES. Sales for the first quarter of 2001 were \$60.2 million compared to \$55.8 million for the first quarter of 2000, an increase of \$4.4 million or 8%. Biopharmaceutical product sales decreased in the first quarter of 2001 by approximately 7% from the 2000 first quarter due to lower sales of Autoplex(R) T [Anti-Inhibitor Coagulant Complex, Heat Treated] which continue to be limited by contract production issues at the manufacturer for this product and lower sales of WinRho SDF(R) [Rho (D) Immune Globulin Intravenous (Human)].

Total antibody sales increased by almost 14% from the comparable quarter in 2000. Non-specific antibody product sales increased 20%, due primarily to higher pricing combined with increased volume. Sales of specialty antibodies increased 3% led by Anti-Tetanus and Anti-Rabies sales. These results were offset by planned decreases in sales of Anti-D and Anti-HBs specialty antibodies.

GROSS PROFIT MARGIN AFTER ROYALTY EXPENSE. Gross profit and related margin for the first quarter of 2001 was \$13.6 million, or 23% of sales, compared to \$14.5 million, or 26% of sales, in the first quarter of 2000. Gross profit margin in the first quarter of 2001 was impacted by an inventory reserve primarily related to product dating. Gross profit margin benefited from a non-performance penalty due to us as a result of contractual delivery shortfalls by the supplier of Autoplex T. Royalty expense in the first quarter of 2001 was \$2.4 million, or 4% of biopharmaceutical product sales, compared to \$2.9 million, or 5% of biopharmaceutical product sales in the first quarter of 2000. The decrease in royalty expense in 2001 resulted from lower royalties for Nabi-HB, since our royalty obligation to Abbott Laboratories ended December 31, 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative expense was \$8.9 million, or 15% of sales, for the first quarter of 2001 compared to \$8.4 million, or 15% of sales, in the first quarter of 2000. The increase primarily reflects an increase in sales and marketing expenses for sales force expansion to support anticipated growth in the biopharmaceutical business in 2001.

RESEARCH AND DEVELOPMENT EXPENSE. Research and development expense was \$3.0 million, or 5% of sales, for the first quarter of 2001 compared to \$4.0 million, or 7% of sales, in the first quarter of 2000. The decrease is due primarily to the completion of the pivotal Phase 3 clinical trial for Nabi(R) StaphVAX(R) [STAPHYLOCOCCUS AUREUS Polysaccharide Conjugate Vaccine] during 2000. First

quarter results also benefited from reimbursement under a grant from the National Institute of Health for the Nabi(R) NicVAX(TM) [Nicotine Conjugate Vaccine] program.

**INTEREST EXPENSE.** Interest expense for the first quarter of 2001 was \$0.5 million, or 1% of sales, compared to \$1.0 million, or 2% of sales, in the first quarter of 2000. The decrease is primarily attributable to higher amounts of interest capitalized during the first quarter of 2001. Capitalized interest relating to construction of our biopharmaceutical manufacturing facility in Boca Raton, Florida was approximately \$1.6 million and \$1.3 million for the quarters ending March 31, 2001 and April 1, 2000, respectively. Once our Boca Raton, Florida facility is ready for its intended use, interest and other costs currently being capitalized will become expenses. Licensure of the Boca Raton, Florida facility for the manufacture of Nabi-HB is expected to occur in 2001. At that time, we will also begin to depreciate the capitalized cost of the plant. The total capitalized value of the facility was approximately \$83.0 million at March 31, 2001.

**OTHER FACTORS.** The provision for income taxes was \$36 thousand for the first quarter of 2001 compared to a provision of \$22 thousand in the first quarter of 2000. The 5% effective tax rate in the first quarter of 2001 differs from the statutory rate of 35% due to our expectation of realizing a current year benefit from the use of a portion of our net operating loss carryforwards from prior years.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, our credit agreement provided for a revolving credit facility of up to \$45.0 million subject to certain borrowing base restrictions, and a \$4.1 million term loan. The credit agreement matures in September 2002. Borrowings under the revolving credit and term loan agreement totaled \$29.7 million at March 31, 2001 as compared to \$31.0 million at December 30, 2000, and additional availability was approximately \$5.0 million at March 31, 2001. The credit agreement is secured by substantially all of our assets, requires the maintenance of certain financial covenants and prohibits the payment of dividends.

As of March 31, 2001, our current assets exceeded current liabilities by \$37.7 million as compared to a net working capital position of \$39.6 million at December 30, 2000. Cash at March 31, 2001 was \$2.3 million compared to \$1.6 million at December 30, 2000. Cash provided from operations for the three months ended March 31, 2001 was \$5.9 million versus \$3.3 million for the three months ended April 1, 2000. During the first quarter of each of 2001 and 2000, reductions in accounts receivable and inventory were offset by a reduction of accounts payable and accrued liabilities. The primary uses of cash during the three months ended March 31, 2001 and April 1, 2000 were capital expenditures, \$4.1 million and \$4.0 million, respectively, principally associated with our biopharmaceutical manufacturing facility in Boca Raton, Florida, and a reduction of borrowings under the revolving credit facility and term loan, \$1.2 million and \$0.3 million, respectively. Additionally, in the three months ended April 1, 2000, we realized \$3.1 million of proceeds from the exercise of stock options.

The biopharmaceutical manufacturing facility requires FDA licensure to produce biopharmaceutical products for sale in the U.S. Projected capital expenditures for 2001 include the anticipated costs of completion to prepare the facility for its intended use of approximately \$11.3 million, including capitalized interest and antibody collection center renovations. We believe that cash flow from operations and our available bank credit facilities will be sufficient to meet our anticipated cash requirements for 2001. We are also in the process of seeking additional cash to fund the development of our biopharmaceutical product pipeline from strategic alliances and may seek additional funding from new or existing credit facilities and equity placements.

## FORWARD LOOKING STATEMENTS

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. These statements are based on current expectations, estimates and projections about the industries in which we operate, management's beliefs and assumptions made by management. 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 30, 2000 concerning certain factors that could cause our 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.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have not been any material changes in our exposure to market risk during the three months ended March 31, 2001 which would require an update to the disclosures provided in our Annual Report on Form 10-K for the fiscal year ended December 30, 2000.

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

We are a party to litigation in the ordinary course of business. We do not believe that such litigation will have a material adverse effect on our future business, financial position or results of operations.

We are a co-defendant with various other parties in one suit filed in the U.S. by, or on behalf of, individuals who claim to have been infected with HIV as a result of either using HIV-contaminated products made by the defendants other than us or having familial relations with those so infected. The claims against us are based on negligence and strict liability. Several similar suits previously pending against us, including a purported class action, have been dismissed.

We deny all claims against us in these suits and intend to defend these cases vigorously. We believe that any such litigation will not have a material adverse effect on our future business, financial position or results of operations.

We have advised Baxter Healthcare Corporation (Baxter) that we are terminating a contract to supply antibodies to Baxter. The contract, by its terms, extends until December 31, 2004. We believe the contract permits us to terminate it if it becomes commercially unreasonable for us to perform under the contract. Baxter is contesting this termination and has invoked an arbitration provision in the contract to resolve the controversy. We have asserted counterclaims against Baxter in the arbitration proceeding.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

We did not file any Exhibits or reports on Form 8-K during the three months ended March 31, 2001.

NABI

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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

Date: May 2, 2001

By: /s/ MARK L. SMITH

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MARK L. SMITH  
Senior Vice President, Finance  
Chief Financial Officer