

TRANSGENOMIC INC  
Form 10-Q/A  
June 30, 2005  
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**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q/A-2**

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(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, 2004

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: 000-30975

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**TRANSGENOMIC, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**12325 Emmet Street, Omaha, Nebraska**  
(Address of principal executive offices)

**911789357**  
(I.R.S. Employer  
Identification No.)  
**68164**  
(Zip Code)

**(402) 452-5400**

(Registrant's telephone number, including area code)

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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  No

Indicate by check mark whether the registrant is accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

As of August 13, 2004, the number of shares of common stock outstanding was 29,070,651.

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**Explanatory Note**

We are amending our quarterly report on Form 10-Q for the quarterly period ended June 30, 2004 ( Form 10-Q ) for certain adjustments that are required to appropriately report cash flows from operating and investing activities in the condensed consolidated statements of cash flows included in Part I, Item 1 herein and related cash flow disclosures included in Part I, Item 2. These restatements are discussed in Note L to the condensed consolidated financial statements and result only in a reclassification of certain items within the condensed consolidated statements of cash flows. They have no effect on the net change in cash and cash equivalents for any period reported or any other line item in the condensed consolidated financial statements. Except to the extent affected by the correction of this error, we have made no other changes to our Form 10-Q.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Transgenomic, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets (Unaudited)**

(In thousands except share and per share data)

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 656	\$ 1,241
Short-term investments	1,405	
Accounts receivable net	11,273	10,877
Inventories	11,129	10,584
Prepaid expenses and other current assets	1,992	1,676
	<u>          </u>	<u>          </u>
Total current assets	26,455	24,378
<b>Property and Equipment</b>		
Land and buildings	2,276	2,239
Equipment	19,548	20,362
Furniture and fixtures	9,101	9,054
	<u>          </u>	<u>          </u>
Total property and equipment	30,925	31,655
Less: accumulated depreciation	15,066	12,951
	<u>          </u>	<u>          </u>
Net property and equipment	15,859	18,704
Goodwill	638	10,503
Intangible and other assets	3,356	3,721
	<u>          </u>	<u>          </u>
Total assets	\$ 46,308	\$ 57,306
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,667	\$ 3,580
Other accrued expenses	4,559	3,874
Accrued compensation	887	959
Line of credit	5,487	2,142
Current portion of long-term debt	750	1,693
	<u>          </u>	<u>          </u>
Total current liabilities	15,350	12,248
<b>Long Term Liabilities</b>		
Long-term debt	1,862	
	<u>          </u>	<u>          </u>

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Total liabilities	17,212	12,248
<b>Stockholders' Equity</b>		
Preferred stock \$.01 par value, 15,000,000 shares authorized, none outstanding		
Common stock \$.01 par value, 60,000,000 shares authorized, 29,070,651 and 28,119,122 issued in 2004 and 2003, respectively	296	286
Additional paid-in capital	118,940	115,904
Accumulated other comprehensive income (loss)	1,581	1,597
Accumulated deficit	(91,721)	(72,729)
	<u>          </u>	<u>          </u>
Total stockholders' equity	29,096	45,058
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 46,308	\$ 57,306
	<u>          </u>	<u>          </u>

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

**Table of Contents****Transgenomic, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations (Unaudited)****(In thousands except share and per share data)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Net sales	\$ 9,011	\$ 8,481	\$ 17,640	\$ 17,986
Cost of goods sold	5,858	5,925	11,627	11,739
Gross profit	3,153	2,556	6,013	6,247
Operating expenses:				
Selling, general and administrative	4,268	4,265	8,513	8,908
Research and development	1,672	2,362	3,601	4,688
Impairment charges (Note E)	11,964		11,964	
Restructuring charges (Note K)		474		738
	17,904	7,101	24,078	14,334
Loss from operations	(14,751)	(4,545)	(18,065)	(8,087)
Other income (expense):				
Interest and investment income (loss)		12	(26)	46
Interest and financing expense	(346)	(51)	(935)	(93)
Other income (expense), net	(33)	(76)	(61)	(109)
	(379)	(115)	(1,022)	(156)
Loss before income taxes	(15,130)	(4,660)	(19,087)	(8,243)
Current income tax expense (benefit)	2	10	(95)	24
Net loss	\$ (15,132)	\$ (4,670)	\$ (18,992)	\$ (8,267)
Basic and diluted weighted average shares outstanding	29,053,226	23,540,979	28,887,334	23,529,858
Net loss per common share basic and diluted	\$ (0.52)	\$ (0.20)	\$ (0.66)	\$ (0.35)

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

**Table of Contents****Transgenomic, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows (Unaudited)**

(In thousands)

	Six Months Ended June 30,	
	2004	2003
	(As restated, see Note L)	
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (18,992)	\$ (8,267)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	2,410	2,070
Impairment charges (Note E)	11,964	
Non-cash restructuring and restructuring related charges		364
Non-cash financing charges	622	
Non-cash compensation expense		85
Loss on sale of securities	27	46
Changes in operating assets and liabilities:		
Purchase of trading securities		(1,565)
Proceeds from sale of trading securities		1,519
Accounts receivable	(1,926)	995
Inventories	(422)	326
Prepaid expenses and other current assets	(362)	(188)
Accounts payable	61	(522)
Accrued expenses and other current liabilities	(334)	(1,304)
Net cash flows from operating activities	(6,952)	(6,441)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(1,133)	(4,886)
Proceeds from the maturities and sale of available for sale securities	932	3,612
Change in other assets	(1)	(161)
Net cash flows from investing activities	(202)	(1,435)
<b>Cash Flows from Financing Activities</b>		
Issuance of common stock and common stock warrants	45	75
Proceeds from long-term debt	2,750	
Payment of long-term debt	(1,729)	
Line of credit	5,586	1,337
Net cash flows from financing activities	6,652	1,412
Effect of foreign currency exchange rates on cash	(83)	(226)
Net change in cash and cash equivalents	(585)	(6,690)
Cash and cash equivalents at beginning of period	1,241	9,735
Cash and cash equivalents at end of period	\$ 656	\$ 3,045
Non-cash Items:		



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Available for sale securities acquired for goods and services

\$ 959 \$

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

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**Transgenomic, Inc. and Subsidiaries**

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**(In thousands except share and per share data)**

**A. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated financial statements of Transgenomic, Inc. and Subsidiaries (the Company) have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. In the opinion of management of the Company, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial positions, the results of operations and cash flows for the periods presented. The results of operations for the six months ended June 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year. Although the Company believes that the disclosures are adequate to make the information presented not