

Edgar Filing: MEDAREX INC - Form 10-Q

MEDAREX INC
Form 10-Q
May 08, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For quarter ended March 31, 2001 Commission File No. 0-19312

MEDAREX, INC.

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

New Jersey -----	22-2822175 -----
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
707 State Road #206, Princeton, New Jersey (Address or principal executive offices)	08540 (Zip Code)

Registrant's telephone number, including area code: (609) 430-2880

Indicate by check mark whether 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 (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 of common stock, \$.01 par value, outstanding as of April 27, 2001 was 72,695,566 shares.

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MEDAREX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, ----- 2000	March ----- 20 (Unaud
ASSETS -----		

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Current assets:			
Cash and cash equivalents	\$	78,397	\$
Marketable securities		265,206	
Other current assets		23,422	
		-----	-----
Total current assets		367,025	
Property and equipment:			
Land		-	
Building and leasehold improvements		2,356	
Machinery and equipment		6,503	
Furniture and fixtures		409	
Construction in progress		20,000	
		-----	-----
		29,268	
Less accumulated depreciation and amortization		(5,837)	
		-----	-----
		23,431	
Investment in Genmab		77,468	
Investment in IDM		48,199	
Investments in, and advances to, other affiliates and partners		7,634	
Segregated cash		22,068	
Other assets		12,555	
		-----	-----
Total assets	\$	558,380	\$
		=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			

Current liabilities:			
Trade accounts payable	\$	1,463	\$
Accrued liabilities		5,945	
Deferred contract revenue - current		29,810	
		-----	-----
Total current liabilities		37,218	
Deferred contract revenue - long-term		15,326	
Deferred income taxes and other long-term obligations		20,274	
Commitments and contingencies		-	
Shareholders' equity:			
Preferred stock, \$1.00 par value, 2,000,000 shares authorized; none issued and outstanding		-	
Common stock, \$.01 par value; 200,000,000 shares authorized; 73,802,666 shares issued and 72,597,666 outstanding at December 31, 2000 and 73,884,416 shares issued and 72,679,416 shares outstanding at March 31, 2001		738	
Capital in excess of par value		569,410	
Treasury stock, at cost 1,205,000 shares		(3,031)	
Deferred compensation		2,234	
Accumulated other comprehensive income		39,313	
Accumulated deficit		(123,102)	
		-----	-----
Total shareholders' equity		485,562	
Total liabilities and shareholders' equity	\$	558,380	\$
		=====	=====

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See notes to these unaudited consolidated financial statements.

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MEDAREX, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In thousands, except share data)

	Three Months Ended March 31, 2000	M
	-----	---
Revenues:		
Sales	\$ 55	\$
Contract and license revenues	2,028	
Contract and license revenues from Genmab	50	
	-----	---
Total revenues	2,133	
Costs and expenses:		
Cost of sales	27	
Research and development	5,359	
General and administrative	2,887	
	-----	---
Total costs and expenses	8,273	
	-----	---
Operating loss	(6,140)	
Equity in net loss of affiliate	-	
Interest and dividend income	1,966	
Interest expense	(1)	
	-----	---
Income (loss) before provision for income taxes	(4,175)	
Provision for income taxes	150	
	-----	---
Net income (loss)	\$ (4,325)	\$
	=====	===
Basic net income (loss) per share	(\$0.06)	
	=====	===
Diluted net income (loss) per share	(\$0.06)	
	=====	===
Weighted average number of common shares outstanding during the year - basic	67,790,002	7
	=====	===
- diluted	67,790,002	7
	=====	===

See notes to these unaudited consolidated financial statements.

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MEDAREX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (In thousands)

	For the Three Months ----- 2000 -----
Operating activities:	
Net income (loss)	\$ (4,325)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	191
Amortization	180
Stock options to employees	111
Stock options and warrants to non-employees	818
Non cash revenue - IDM	-
Non cash revenue - Genmab	-
Equity in net loss of Genmab	-
Changes in operating assets and liabilities, net of acquisition:	
Other current assets	1,268
Trade accounts payable	(119)
Accrued liabilities	(2,734)
Deferred contract revenue	(674)

Net cash provided by (used in) operating activities	(5,284)
Investing activities:	
Purchase of property and equipment	(217)
Decrease in other assets	151
Decrease (increase) in investments and advances to affiliates and partners	1
Increase in segregated cash	-
Sales of marketable securities	3,384

Net cash provided by investing activities	3,319
Financing activities:	
Cash received from sales of securities, net	391,161
Principal payments under debt obligations	(10)

Net cash provided by financing activities	391,151

Net increase in cash and cash equivalents	389,186
Cash and cash equivalents at beginning of period	14,366

Cash and cash equivalents at end of period	\$403,552
	=====
Supplemental disclosures of cash flow information Cash paid during period for:	
Income taxes	\$ -
	=====
Interest	\$ 1

=====

See notes to these unaudited consolidated financial statements.

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MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

1. Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared from the books and records of Medarex, Inc. and Subsidiaries (the "Company") in accordance with the instruction to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for the year. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

2. Net Income (Loss) per Share

Basic and diluted earnings per share are calculated in accordance with the Financial Accounting Standards Board ("FASB") SFAS No. 128, Earnings per Share. Basic earnings per share is based upon the number of weighted average shares of common stock outstanding. Diluted earnings per share are based upon the weighted average number of shares of common stock and dilutive potential shares of common stock outstanding. Potential shares of common stock are outstanding stock options, which are included under the treasury stock method for the three month period ended March 31, 2001. For the three months ended March 31, 2000, potentially dilutive securities have been excluded from the computation, as their effect is antidilutive.

The computation of basic and diluted earnings per share for the three months-ended March 31, 2000 and 2001 is as follows:

	2000	2001
Numerator:		
Net income (loss)	(\$4,325)	\$3,828
Denominator:		
Denominator for basic net income (loss) per share - Weighted average shares	67,790,002	73,858,000
Effect of dilutive securities:		
Stock options	----	1,970,000
Denominator for diluted net income (loss) per share - adjusted weighted-average shares	67,790,002	75,828,000

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Basic net income (loss) per share	(\$0.06)	\$
Diluted net income (loss) per share	(\$0.06)	\$

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MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Dollars in thousands)

3. Marketable Securities

Marketable securities consist of fixed income investments with a maturity of greater than three months and other highly liquid investments that can be readily purchased or sold using established markets. Such securities, which are classified as available-for-sale, are carried at market with unrealized gains and losses reported as a separate component of shareholders' equity.

4. Contingencies

The Company has a contingent commitment to pay \$1,000 to Essex Chemical Corporation ("Essex") without interest in installments equal to 20% of net after tax earnings of the Company in future years. The Company's contingent commitment, as amended, to pay up to \$1,000 out of future earnings may be satisfied, at the Company's option, through the payment of cash or shares of the Company's Common Stock having a fair market value equal to the amount owed, provided that such shares are registered with the Securities and Exchange Commission. At December 31, 2000 the Company had accrued \$667 related to this liability.

In the ordinary course of our business, the Company is at times subject to various legal proceedings. The Company does not believe that any of our current legal proceedings, individually or in the aggregate, will have a material adverse effect on its operations or financial condition.

5. Licensing, Research and Development Agreements

In January 2001, the Company entered into an agreement with B. Twelve, Inc. ("B. Twelve") to develop fully human antibodies to several cancer related targets identified by B. Twelve's technology. B. Twelve expects to develop and commercialize human antibody products resulting from this agreement. The Company could receive license fees and milestone payments as well as royalties on commercial sales of products resulting from the Company's agreement with B. Twelve. In addition, the Company received 400,000 shares of B. Twelve common stock valued at \$1,200. B. Twelve will apply the value of the shares received by the Company against certain license fees and milestone payments.

In January 2001, the Company, Eli Lilly and Company ("Lilly") and Biosite Diagnostics Incorporated ("Biosite") entered into an agreement whereby the Company's initial collaboration with Lilly to develop fully human antibodies to multiple disease targets identified by Lilly, which was entered into in November 2000, was expanded to allow Lilly to utilize Trans-Phage TechnologySM through the Company's collaboration with Biosite. Lilly expects to develop and commercialize any human antibody products resulting from this agreement. The Company could receive license fees and milestone payments as well as royalties on commercial sales of products resulting from its agreement with Lilly.

MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands)

5. Research and Development Agreements (continued)

In January 2001, the Company entered into an agreement with Novo Nordisk, A/S ("Novo Nordisk") to develop fully human antibodies to multiple disease targets identified by Novo Nordisk. Novo Nordisk expects to develop and commercialize any human antibody products resulting from this agreement. The Company received certain upfront payments and could receive milestone payments as well as royalties on commercial sales of products resulting from its agreement with Novo Nordisk.

In February 2001, the Company, Eos Biotechnology, Inc. ("Eos") and Biosite entered into an agreement whereby the Company's initial collaboration with Eos to develop fully human antibodies to multiple disease targets identified by Eos, which was entered into in August 1999, was expanded to allow Eos to utilize Trans-Phage TechnologySM through the Company's collaboration with Biosite. Eos expects to develop and commercialize any human antibody products resulting from this agreement. The Company could receive license fees and milestone payments as well as royalties on commercial sales of products resulting from its agreement with Eos.

In February 2001, the Company entered into a collaboration with Seattle Genetics, Inc. ("Seattle Genetics") to jointly develop and commercialize fully human antibody therapeutic products to specific cancer targets identified by Seattle Genetics. The Company plans to generate antibodies to the Seattle Genetics targets using its fully human antibody technology. The Company and Seattle Genetics expect to share costs and responsibilities leading to the anticipated commercialization of therapeutic products, including preclinical and clinical development and marketing efforts. In addition, the Company purchased \$2,000 of common stock directly from Seattle Genetics in a private placement concurrent with Seattle Genetics' initial public offering in March 2001.

In February 2001, the Company entered into a binding memorandum of understanding with Immusol, Inc. ("Immusol") to jointly develop and commercialize fully human antibody therapeutic products to targets discovered by Immusol's Inverse Genomics(TM) technology platform. The Company plans to generate antibodies to the Immusol targets using its fully human antibody technology. The Company and Immusol expect to share costs and responsibilities leading to the anticipated commercialization of therapeutic products, including preclinical and clinical development and marketing efforts. In addition, the Company made a \$5,000 equity investment in Immusol.

In March 2001, the Company entered into an agreement with Schering-Plough Corporation ("Schering-Plough") to develop fully human antibodies to multiple disease targets identified by Schering-Plough. Schering-Plough expects to develop and commercialize any human antibody products resulting from this agreement. The Company could receive license fees, milestone payments and royalties on commercial sales of products resulting from its agreement with Schering-Plough.

MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Dollars in thousands)

6. Investments Accounted for Under the Equity Method

In 1999, the Company acquired a 44% ownership interest in Genmab A/S, a Danish biotechnology company ("Genmab"). In June 2000, Genmab completed a private placement in which the Company invested \$18,000 in Genmab in order to maintain its approximate 44% ownership interest. In August 2000, the Company acquired an additional 1% of Genmab's capital stock in exchange for certain rights to the Company's fully human antibody technology. This increased the Company's ownership interest to approximately 45%. As a result of Genmab's initial public offering completed in October 2000, the Company's equity interest in Genmab was reduced to approximately 33%. During the quarter ended March 31, 2001 the value of the Company's investment in Genmab was adjusted to reflect the Company's share of Genmab's loss for the same period (\$577) and an unrealized loss of (\$4,131) related to foreign exchange translation. This unrealized loss is included as other comprehensive income in the Company's March 31, 2001 balance sheet.

Summary financial information for Genmab as of the quarter ended March 31, 2001 is as follows (unaudited):

Net Sales	\$	--
Gross profit		--
Net loss		(1,752)

7. Comprehensive Income (Loss)

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. The adoption of SFAS 130 had no impact on the Company's results of operations or shareholders' equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities, which prior to adoption were reported separately in shareholders' equity to be included in other comprehensive income.

The components of comprehensive income (loss) for the three periods ended March 31, are as follows:

	Three months ended March 31,	
	2000	2001
	----	----
Net Income (loss)	\$ (4,325)	\$ 3,273
Unrealized gain on securities	61	449
Unrealized loss on foreign exchange	--	(4,131)
	-----	-----
Total comprehensive income (loss)	\$ (4,264)	\$ (409)

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MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Dollars in thousands)

8. Segment Information

The Company is an integrated monoclonal antibody-based company with antibody discovery, development and manufacturing capabilities. The operations of the Company and its wholly-owned subsidiaries constitute one business segment.

Revenue from customers representing 10% or more of total revenues for the three months ended March 31, 2000 and 2001 is as follows:

	Three months ended March 31,	
Customer	2000	2001
-----	----	----
IDM S.A.	--	57%
Kirin Brewery Co., Ltd.	70%	17%

No other single customer accounted for more than 10% of the Company's total revenues for the three months ended March 31, 2000 and 2001, respectively.

9. Subsequent Events

In April 2001, the Company, Genmab and Glaucus Proteomics B.V. ("Glaucus") entered into a collaboration to jointly develop and commercialize fully human antibody therapeutic products to multiple disease targets identified by Glaucus. Genmab plans to generate antibodies to the Glaucus targets using the Company's fully human antibody technology. The Company expects to contribute resources to the collaboration and expects to share certain costs and commercial rights associated with the collaboration.

In April 2001, the Company and Eos entered into a new binding letter of intent which superseded the terms of their Applied Genomics collaboration which was originally established in February 2000. The collaboration is now structured to more closely resemble the Applied Genomics collaborations that the Company entered into with other partners during 2000 and 2001. This restructured agreement allows the Company and Eos to jointly develop and commercialize fully human monoclonal therapeutic products to multiple disease targets identified by Eos. The Company plans to generate antibodies to the Eos targets using its fully human antibody technology. The Company and Eos expect to share costs and responsibilities leading to the anticipated commercialization of therapeutic products, including preclinical and clinical development and marketing efforts. The Company has agreed to transfer certain of its rights and responsibilities to develop and commercialize collaboration products outside North America to Genmab. In exchange, Genmab will be responsible for a portion of the development and marketing costs associated with the collaboration that would otherwise be borne by the Company. Under the prior letter of intent, Eos had been responsible for all costs of developing the products through Phase IIa clinical trials, and the Company had agreed to provide funding to Eos of \$25,000, \$5,000 of which was paid to Eos in 2000 and \$20,000 of which was

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deposited into an escrow account in 2000 and was classified as segregated cash on the Company's balance sheet. As a result of the restructured agreement,

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MEDAREX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Dollars in thousands)

9. Subsequent Events (continued)

\$5,000 plus interest was returned to the Company in April 2001, and will be recorded in the second quarter 2001 Consolidated Statement of Operations as a \$5,000 reduction in research and development expenses, and the interest received will be recorded as interest income. In addition, the \$20,000 that had been deposited into a third-party escrow account and carried on the Company's balance sheet as segregated cash was released from such escrow account and the \$20,000 plus earned interest will be included as cash and cash equivalents in the Company's balance sheet for the second quarter of 2001. In addition, the \$75,000 of credits that Eos would have been able to use against license fees, milestone payments and royalties that the Company may otherwise have received under its August 1999 collaboration with Eos has been eliminated from the restructured collaboration.

In April 2001, the Company entered into a collaboration with Northwest Biotherapeutics, Inc. ("NWBio") to jointly develop and commercialize fully human antibody therapeutic products to specific cancer targets identified by NWBio. The Company plans to generate antibodies to the NWBio targets using its fully human antibody technology. NWBio will initially contribute four cancer-related targets to the collaboration, and will contribute four additional targets to the collaboration over the next four years. The Company and NWBio expect to share costs and responsibilities leading to the anticipated commercialization of therapeutic products, including preclinical and clinical development and marketing efforts. In addition, the Company made a \$4,000 equity investment in NWBio, and has committed to make an additional investment of \$3,500 in NWBio in the event NWBio completes an initial public offering during the next year and satisfies certain additional conditions.

In April 2001, the Company entered into a collaboration with Neuro Therapeutics, Inc. ("Neuro Therapeutics") to jointly develop and commercialize fully human antibody therapeutic products to multiple disease targets identified by Neuro Therapeutics. The Company plans to generate antibodies to the Neuro Therapeutics targets using its fully human antibody technology. The Company and Neuro Therapeutics expect to share costs and responsibilities leading to the anticipated commercialization of therapeutic products, including preclinical and clinical development and marketing efforts.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains "forward-looking statements"

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within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent our projections, estimates, expectations or beliefs concerning among other things, financial items that relate to management's future plans or objectives or to our future economic and financial performance. Forward-looking statements involve known and unknown risks and uncertainties and are indicated by words such as "anticipates", "expects", "intends", "believes", "plans", "could" and similar words and phrases. These risks and uncertainties include, but are not limited to, our early stage of product development, history of operating losses and accumulated deficit, additional financing requirements and access to capital funding, dependence on strategic alliances, government regulation of the biopharmaceutical industry and other risks that may be detailed from time to time in our periodic reports and registration statements filed with the Securities and Exchange Commission.

Liquidity and Capital Resources

We have financed our operations since inception through the sale of our securities in public and private placements, sales of our products for research purposes and technology transfer and license fees.

We had \$322,867 in cash, cash equivalents and marketable securities and \$22,342 in a segregated cash account as of March 31, 2001. Operating activities provided \$1,086 of cash for the three-month period ended March 31, 2001.

On November 3, 2000, we acquired the Milpitas, California facility that we had previously leased in for approximately \$14,600. This property is approximately 57,000 square feet of laboratory and office space. As of March 31, 2001, we spent approximately \$7,000 and expect to spend an additional \$1,000 on building modifications and equipping the Milpitas facility. In January 2001, we purchased a facility in Greenwich, New Jersey for approximately \$9,200. The Greenwich facility is situated on approximately 106 acres of land and currently contains approximately 165,000 square feet of laboratory and office space. We intend to modify and expand the Greenwich facility to increase our capacity to provide materials for clinical trials for our future products under development through our collaborations and alliances. As of March 31, 2001, we spent approximately \$10,000 on the Greenwich facility and expect to spend an additional \$20,000 on building modifications and equipping the Greenwich facility. We currently do not have the capacity to manufacture our products under development in large commercial quantities and have no experience in commercial-scale manufacturing.

At March 31, 2001 the aggregate future minimum lease commitments over the remainder of the lease terms are approximately \$5,823. As of March 31, 2001, we have commitments for approximately \$22,000 of capital expenditures.

Our current sources of liquidity are our cash, cash equivalents and marketable securities, interest and dividends earned on such cash, cash equivalents and marketable securities, sales of our products for research and contract and licensing revenues. As we utilize our cash, the interest earned will be reduced. We believe that under existing operating plans our current sources of liquidity will be sufficient to meet anticipated cash requirements for the next twenty-four months.

Upon exhaustion of our current cash reserves, our continued operations will depend on our ability to raise additional funds through equity or debt financing and/or enter into licensing or joint development agreements, including collaborative research and development arrangements with large pharmaceutical

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companies pursuant to which certain costs associated with the regulatory approval process for certain of our products would be borne by the licensees or joint developers. We may not be able to successfully complete such sales or financing activities.

Results of Operations

Three months ended March 31, 2000 and 2001

Revenue for the three-month period ended March 31, 2001 increased by \$6,787, a 318% increase from the three-month period ended March 31, 2000. The increase relates principally to \$5,858 of contract and license revenues from IDM, S.A.

Cost of sales for the three months ended March 31, 2001 remained comparable to the three months ended March 31, 2000.

Research and development expenses increased by \$2,701 for the three-month period ended March 31, 2001, a 50% increase from the three-month period ended March 31, 2000. The increase is principally due to higher personnel costs, research funding payments, depreciation expenses and patent expenses. Research and development costs are expected to increase at an accelerated rate as our products progress through the regulatory approval process.

General and administrative expenses increased by \$715 for the three-month period ended March 31, 2001, a 25% increase from the three-month period ended March 31, 2000. The increase is primarily attributable to heightened personnel costs and legal expenses associated with the increasing number of partnering agreements. This increase was partially offset by lower shareholders relation expenses, which in 2000 included non-cash charges related to the exercise of warrants issued to consultants of \$691. General and administrative expenses are expected to increase in the future as our products are developed and we expand our business activities.

Equity in net loss of affiliate of \$577 reflects our share of the loss incurred by Genmab during the three-month period ended March 31, 2000. Genmab is an affiliated company and is accounted for using the equity method. We expect equity in net loss of affiliates to increase in the near future due to the Genmab's investments in research and development to develop its own product pipeline

Interest and dividend income increased by \$4,805 for the three-month period ended March 31, 2001, a 244% increase from the three-month period ended March 31, 2000. The increase reflects interest earned on higher average cash balances resulting from the proceeds received from the March 2000 follow-on public offering of our common stock.

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Item 3. Quantitative and Qualitative Disclosures about Market Risks.

We do not use derivative financial instruments in our operations or investment portfolio. However, we regularly invest excess operating cash in deposits with major financial institutions, money market funds, notes issued by the U.S. Government, as well as fixed income investments and U.S. bond funds both of which can be readily purchased or sold using established markets. We believe that the market risk arising from our holdings of these financial instruments is minimal. We do not have exposure to market risks associated with changes in interest rates, as we have no variable interest rate debt

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outstanding. We do not believe we have any material exposure to market risks associated with interest rates.

The Company may be exposed to exchange conversion differences in translating the foreign results from operations of its investment in Genmab to U.S. dollars. Depending upon the strengthening or weakening of the U.S. dollar, the conversion difference could be significant to the Company's recording of Genmab's "equity in net loss of affiliate." Foreign exchange translation gains or losses have been and will continue to be recorded within "other comprehensive income" in the equity section of the Company's balance sheet.

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Part II - Other Information

Item 1. Legal Proceedings

In the ordinary course of our business, we are at times subject to various legal proceedings. We do not believe that any of our current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition.

On May 24, 2000, Lexicon Genetics Incorporated filed a complaint against Deltagen, Inc. in U.S. District Court for the District of Delaware alleging that Deltagen is willfully infringing the claims of United States Patent No. 5,789,215, under which Lexicon holds an exclusive license in the relevant field from our wholly-owned subsidiary GenPharm International, Inc. This patent covers certain methods of engineering the animal genome, including methods for the production of knockout mice.

On October 31, 2000, Lexicon amended its complaint to add GenPharm, as the licensor of the patent, as a plaintiff. On November 14, 2000, Deltagen filed an answer to Lexicon's amended complaint which included counterclaims against Lexicon and, for the first time, counterclaims against GenPharm. In its counterclaims, Deltagen is seeking declaratory relief that the patent is invalid, unenforceable and not infringed. In addition, Deltagen asserted counterclaims against both Lexicon and GenPharm under the antitrust laws. Deltagen is seeking, among other relief, an award of monetary damages against Lexicon and GenPharm in an unspecified amount. Any damages for violations of the antitrust laws would be trebled.

The litigation against GenPharm is in the very early stages and we cannot predict its outcome or any possible financial losses that we may incur as a result of the litigation. Such losses, if any, could have a material effect on our operating results. We believe that the litigation against GenPharm is without merit and intend to defend the action vigorously. Furthermore, because we do not use the technology that is the subject of the litigation in any material way in our business as currently conducted, we do not believe that a judgment in favor of Deltagen would have a material adverse effect on the conduct of our business.

Item 6. Exhibits and reports on Form 8-K

- (a) Reports on Form 8-K: none
- (b) Exhibits: None

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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.

MEDAREX, INC.

(Registrant)

Date: May 8, 2001

By /s/ Christian S. Schade

Christian S. Schade
Senior Vice President
Finance & Administration
(Principal Financial and
Accounting Officer)

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