

Thomson StreetEventsSM



Conference Call Transcript

GTCB - Q2 2007 GTC Biotherapeutics, Inc. Earnings Conference Call

Event Date/Time: Aug. 09. 2007 / 10:00AM ET

CORPORATE PARTICIPANTS

Geoffrey Cox

GTC Biotherapeutics, Inc. - Chairman and CEO

Tom Newberry

GTC Biotherapeutics, Inc. - VP of Corporate Communications

Jack Green

GTC Biotherapeutics, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Sean Wu

Rodman and Renshaw - Analyst

PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the GTC Biotherapeutics second quarter 2007 Financial and Operating Results Conference Call. My name is Jen, and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of today's conference. (OPERATOR INSTRUCTIONS) As a reminder this conference call is being recorded for replay purposes. I will now turn the presentation over to Dr. Geoffrey Cox, Chairman and Chief Executive Officer of GTC Biotherapeutics. Please proceed, sir.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Thank you very much, indeed, and good morning everyone and welcome to the conference call and webcast to discuss the second quarter 2007 financial and operating results for GTC Biotherapeutics, Inc., NASDAQ ticker symbol GTCB.

I'm Geoffrey Cox, I'm the Chairman and Chief Executive Officer of GTC Biotherapeutics and with me today are Tom Newberry, our Vice President of Corporate Communications, and joining us via the phone is Jack Green, our Chief Financial Officer.

Our results for the second quarter 2007 were released earlier this morning and I hope you've had the opportunity to review this release prior to our call. After discussing our pipeline in the emerging area of follow-on biologics I will ask Jack Green to provide a summary of our financial results. I will then provide an overview of our external contracts and then open the call to questions.

First, as usual, let me remind you of our Safe Harbor statement for this call. Under the SEC Safe Harbor provisions please note that certain comments today about future events and potential developments are forward-looking statements based on management's current expectations. We urge you to read the Safe Harbor statement noted in our most recent Form 10-K filed with the SEC entitled, "Important Risk Factors Regarding Forward-Looking Statements." As you know, due to the risks inherent in our business, which I described in detail in Item 1A of our 10-K and subsequent 10-Qs, our actual results may differ materially from our current expectations.

Over the last several conference calls I've set out a strategy, which I believe establishes the platform for building GTC into a significant company. I set out that strategy as our challenge following the approval of ATryn® last year by the EMEA. As you know, this was the first approval of a transgenically produced drug by any regulatory agency anywhere in the world. Very importantly, it dramatically changed the risk profile and the opportunities for creating value from the ATryn® program and enabled a broad framework of opportunities in other programs leveraging the differentiating characteristics of the transgenic technology production platform and the commercial production operations and facilities we have established.

The key elements of that strategy are to firstly leverage and maximize the ATryn® market opportunity both clinically and in multiple geographies. Secondly, we believe there is an opportunity to develop a franchise in the production and commercialization of recombinant plasma

proteins leveraging the ability of our production technology to produce proteins which are proven difficult to manufacture using other more established technologies. And this we define as our hematology portfolio including recombinant Factor VIIa, recombinant Alpha-1 antitrypsin and in addition, of course to ATryn®.

The third element of our strategy is to exploit the ability of our transgenic technology to produce large volumes of monoclonal antibodies with significantly lower capital expenditures and cost of goods. And we have achieved this very successfully in the past, and this has led us into the development of our own proprietary monoclonal antibody for CD137. It has also opened up the opportunity in the emerging area of follow-on biologics or biosimilars, which we believe can be an important strategic area for us in the future.

An integral part of our strategy is to seek partnerships where appropriate, support the development and commercialization of our products worldwide. These partnerships are intended to defray some of the cost of bringing the portfolio products to market and to utilize the resources available within larger partner companies. We have continued to make progress with the strategy over the 12 months since we received ATryn® approval. So let me now put that into context. In early July LEO introduced ATryn® to the medical community at the International Society of Thrombosis and Hemostasis or the ISTH meeting in Geneva. And LEO, you remember, is our commercialization development partner for ATryn® in Europe, Canada and the Middle East. This of course was a very special moment for us and we participated in this introduction to the physician community, where we jointly presented the posters on the dosing experience of the product, held a press conference on the characteristics of our recombinant form of antithrombin and participated in a press briefing posted by the ISTH as described in their press release and available on our website and presented the technical symposia to about 300 Congress delegates.

LEO also hosted an exhibit booth for ATryn® at their location in the exhibit hall. ATryn® will be commercialized first in the UK and then commercialization will be expanded into other countries as pricing is established in a process which is expected to take 12 to 18 months. And remember the pricing can vary from country to country in the European Union. LEO is pursuing a strategy to preserve the value of the subsequent DIC indication.

Very importantly, we were pleased to announce earlier this week the first patient being recruited into the Phase II DIC study in severe sepsis, which LEO is conducting in Europe. The study is a dose ranging study in 200 patients to establish the dose for a subsequent Phase III study. As you can see from the Clinicaltrials.gov website, clinical sites have been established in Canada, France, Germany, and the United Kingdom, and we believe that Phase II recruitment will take about a year for LEO to complete and the results are planned for the second half of 2008.

This study is important, of course, but it is a major step on the road to establishing the large market opportunity in an acquired deficiency indication for antithrombin. Over the last few months we have significantly revised upwards our estimates of the potential markets for ATryn® in this indication.

Today, we believe that in the US alone this is a \$2 to \$3 billion market. And of course similar markets exist in Europe and the rest of the world. This calculation is based on the estimate of 250,000 DIC patients annually in the US of which up to 50% die. Based on a speculative pricing of \$10 to \$12,000 per patient this translates into a \$2.5 to \$3 billion market. Of course actual pricing will be a determination of product requirements and clinical outcomes. As an important reminder of the size of the potential markets, particularly remembering that DIC is only one of a number of acquired deficiency indications.

In all assessments of the potential market opportunities for ATryn®, access to the United States remains very important. As you know, we've been conducting a Phase III study in hereditary deficiency or HD to support a BLA filing for approval in the United States. The active arm is recruiting a minimum of 17 evaluable patients under a protocol very similar to the European study and which will build on and include the data from the 14 patients enrolled in Europe giving 31 patients in total.

The comparative arm requested by the FDA is an historical study in which data is collected from hospital records for patients who have undergone similar procedures of childbirth and surgery but which have been treated with plasma-derived antithrombin. The protocol requires a minimum of 35 patients in this study to compare with the total of 31 patients in the active arm. This study has been slower than planned, but I'm pleased to tell you that all the patients have now been accrued for data collection and analysis to satisfy the required number of historical cases treated with plasma-derived antithrombin products and sufficient patients in the ATryn® arm have been identified to complete the study and the schedule supports the planned availability of top line results before the end of this year.

Our plan remains to file our BLA with the FDA by the end of Q1 2008. Our results package will also include the 90 day antibody data required under the protocol following the treatment of the last patient. Similar data was required by the EMEA and no antibodies were observed. With an estimated 12 months review process this means that we could have approval to market in the United States in mid-2009.

All of which brings me to the next piece of our ATryn® story regarding our commercialization strategy for ATryn® in the United States. Predictions regarding partnering discussion is notoriously difficult. I am comfortable telling that as a result of discussions with a number of potential partners we are encouraged about our prospects to engage in the collaborative partnership for the commercialization and further development of ATryn® in the United States.

Effective partnering will be an -- will be important in maximizing and exploiting the market opportunity for ATryn® in the significantly underserved market. Remember there is only a single plasma derived product in the US market and sales have been constrained over the years by lack of product availability. A large, well financed, commercial partner is an important objective for GTC to achieve the market presence and opportunity, which we believe ATryn® represents, and I look forward to updating you on our progress.

With regard to ATryn® I do want to deal with one piece of news which has not been helpful to us. As part of our strategy to diversify and expand our fill/finish contract capacities to meet future manufacturing requirements we recently began working with a large and experienced US-based contractor. As noted in today's release, unfortunately, this contractor rendered a number of batches of ATryn® unusable during the fill operation. As a result, we have taken a charge in our financial reports as Jack will describe further. We will of course be pursuing all avenues for the recovery of our losses, but at this time we have made no predictions of these in our financial forecasts. I do want to stress that this does not affect commercial supplies of ATryn®, which are filled by MedImmune, our European fill/finish contractor, and supplies are sufficient to maintain our DIC clinical development program as well as complete our US study and these are already in hand.

We've already revised our manufacturing plans with our purification contract Lonza formerly Cambrex, to accommodate purification of subsequent replacement batches and our milk production and herd expansion is continuing on plan. Financially as Jack will describe, we've made adjustments to our operations and planning to ensure a minor adjustment to our cash predictions for the year and to provide time for us to resolve negotiations with our contractor.

Now, let me turn it to the other parts of our recombinant plasma protein portfolio, our Recombinant Factor VIIA program which is being developed as a result of our collaboration with LFB is proceeding well and on plan. Our focus at this time is to produce the transgenic rabbits in the United States using our beta casein promoter system. We will be evaluating potential production lines or founders as the animals mature, become pregnant and then begin lactating. Our objective is to develop a Factor VIIA product, which is clinically non inferior to the Novo Seven product from Novo Nordisk.

Today, Recombinant Factor VIIA has \$1 billion in sales which are expected to be \$2 billion by the time patents expire in 2011. Our assumptions regarding the clinical development program is that we will follow a similar clinical objective as Novo Seven did in the treatment of Hemophilia A&B, who developed antibodies to Factors VIII & IX. It is possible that Factor VIIA may be developed as a follow-on biologics project as the governing legislation is enacted, and the associated regulatory guidelines become defined in the United States. But at this time we are making no assumptions, certainly our marketing strategy will be to compete on price to enable the expanded use of Factor VIIA in markets currently resistant to the use of Novo Seven because of price.

Our current planning is to -- is for Factor VIIA to enter the clinic in 2009. Our Alpha-1 antitrypsin program continues to make progress; our current focus is to develop Alpha-1 antitrypsin for the intravenous delivery in the hereditary deficiency population. This is currently served by a number of plasma fractionated products; which is dominated by Prolastin from Talecris, which is formally Bayer.

The market for AAT is increasing in both volume and price, but independent research indicates that AAT deficiency remains significantly under diagnosed and under treated. The objective of our current development program is to provide a product with an advantageous pharmacokinetic profile in comparison with existing plasma products.

In the future pulmonary delivery of AAT may be possible, which could significantly expand the range of clinical opportunities for Alpha-1 antitrypsin. The advantage for transgenically to produced Alpha-1 antitrypsin is that our goats produce the protein at approximately 20 grams per liter and therefore the opportunity to develop markets without product availability constraints is important. Our objective is to enter the clinic with this program in 2009.

I now want to turn another strategically important -- to another strategically important area of the Company's future, the production of monoclonal antibodies. For some time we have spoken about our proprietary CD137 program, which we licensed from the Mayo Clinic. Our CD137 monoclonal antibody is an immune modulator and as such has the potential to be developed for the treatment of solid tumors and also auto-immune diseases. We already have production animals that produce this protein in significant quantities.

Immune modulation is an area of great interest in clinical development at this time; however it is also a complex area of research in clinical development. Our preclinical work at present is focused on defining the characteristics of this monoclonal antibody and its potential application, and we're seeking advice from the FDA to define the appropriate preclinical and clinical development program. We also recognize the value an experienced partner with -- that an experienced partner could bring to this program and we continue to develop and explore partnering opportunities for CD137 to assist in the broad developments and value creation.

Our interest and experience in the successful production of monoclonal antibodies has led us to the rapidly emerging area of follow-on biologics or as they are known in Europe biosimilars. Regulatory guidelines for these products they are developing in Europe and in the United States we read on a daily basis of the progress in the US Congress of legislation to provide a framework for FOB regulations. I believe this is not an issue of if, but where -- but more of when this will occur. In the meantime it is clear that the characteristic of our technology provide a real competitive advantage for us in this evolving market opportunity.

Our technology enables the production of large volumes of monoclonal antibodies and we believe this can be achieved at highly competitive manufacturing costs and capital investment. We also have a unique patent position in that we believe we're outside the Cabilly patents and importantly we believe natural glycosylation of the goat mammary gland provides a low fucose level, which is likely to translate into advantageous antibody dependent cell-mediated cytotoxicity or ADCC, which is considered to be particularly important in oncology applications. The ADCC characteristics of our technology as well as the transgenic production of therapeutic proteins in mammals are covered by our own intellectual property.

Our objective is to focus on a small portfolio of products which have already established large markets. We were very excited to announce last week, as an extension to our collaboration with LFB, we're developing a transgenically produced CD20 monoclonal antibody with a clinical specificity expected to be similar to Rituximab. Our CD20 antibody is planned to have increased ADCC characteristics and the natural result of our glycosylation patterns. LFB has been developing this CD20 monoclonal antibody for sometime and they developed a cell cultural production system with added ADCC characteristics. They expect to enter the clinic with this product in 2008, which will provide early evidence of its clinical performance. The transgenically produced product will become available for preclinical and clinical studies once production animals have been established, which is expected to be by the end of 2008.

This program will be developed in the short to medium term leveraging our existing assets and resources, relevant Rituximab patents exist in the United States into 2014. It is important to recognize how this strategy fits into our overall partnership plans. Our plan is to be the manufacturer of these proteins. In a very competitive landscape we recognize the importance of a larger commercial companies to effectively commercialize these products. And GTC has exclusive marketing rights in the United States and Canada and we expect to pursue commercialization partners for the CD20 monoclonal antibody in these territories.

It is particularly important that we have the significant financial and technical advantage of our partner LFB who has been developing this product for sometime, prior to seeking the use of GTC's production technology. We also plan to seek commercialization partners for our other FOB programs that we may develop. And such relationships could provide financial milestones well in advance of commercialization. They are therefore an important part of financing strategy of the Company and we expect this will enable GTC to participate in large markets in the United States, Europe and worldwide. The important part of -- the important point for this strategy is to implement it, so that investors can assess, characterize and value it. FOBs provide an opportunity to leverage our existing validated production technology and our production facilities. To gain access to large markets as patents expire and to bring financial support into the Company from commercialization and development partners.

All of this activities result in the second quarter in a row, where we have seen a significant increase in revenues, well above what we achieved in 2006. And I would like Jack to review with you our financial results on how we're progressing on our 2007 forecast. So let me pass this over to Jack.

Jack Green - GTC Biotherapeutics, Inc. - CFO

Thank you Geoff. Our press release provides significant detail about our financial results for the second quarter and the first six months. I would like to focus on a few of the numbers that I believe to be most significant.

Our revenues for the second quarter and for the year-to-date was strong as Geoff had mentioned. Revenues were approximately \$2.8 million for the current quarter, a nearly seven fold increase over the \$416,000 for the second quarter of 2006. Revenues for the first six months of 2006, totaled \$8.3 million, a three fold increase over the \$2.6 million in the first half of 2006.

The revenues in the second quarter of 2007 were derived primarily from our external programs with Merrimack Pharmaceuticals for the production of their MM-093 product and PharmAthene for the development and purification of its Protexia product. In addition to our external programs our year-to-date revenues reflect the revenue from LEO for the shipment of ATryn® to support the commercial launch in Europe and to support LEO's Phase II clinical study in DIC.

Second quarter revenues in 2006 were derived primarily from the program with Merrimack. Total cost of revenue and operating expenses were \$13.5 million in the current quarter a 42% increase from the \$9.5 million total in the second quarter of 2006.

Cost of revenue and operating expenses totaled \$26.7 million for the first six months of 2007, a 32% increase from the \$20.2 million for the first half of 2006.

As Geoff has previously mentioned, in the second quarter our US-based third party fill/finish contractor rendered a number of ATryn® batches unusable during filling operations at their facility. This inventory was written off in the second quarter resulting in a \$2.9 million charge to cost of revenue. We are pursuing recovery of our losses, but please note however that the amount of recovery, if any, is uncertain at this time, and we have not included the prospect of financial compensation in our financial statements or our projections.

In the year-to-year comparison, cost of revenue increased by \$2.9 million for the quarter and by \$5.9 million for the year-to-date.

The quarterly increase was entirely a result of the ATryn® inventory write-off, I mentioned above. The increase in the six-month comparison reflected both the inventory write-off and the cost of ATryn® sold to LEO in 2007. Research and development expenses were \$6.7 million for the second quarter, an increase of \$833,000 year-to-year. Of the 2007 spending, ATryn® expenses were \$4.4 million, down \$230,000 from 2006.

We also incurred approximately \$1 million in development costs in the quarter on the Factor VIIa development program under our agreement with LFB, which was signed in October 2006.

These Factor VIIa expenses are primarily an allocation of internal resources utilized on the program in 2007. On a year-to-date basis research and development expenses were \$13.2 million relatively flat in the year-to-year comparison. Of the total, ATryn® expenses were \$9.5 million down \$1.3 million in the year-to-year comparison. We incurred approximately \$1.7 million of expense on the Factor VIIa program in the first six months of 2007.

SG&A expense was \$2.7 million for the second quarter, an increase of \$279,000 and was \$5.3 million for the six months, an increase of approximately \$800,000 year-to-year. The year-to-year increases reflect increased legal and patent costs, expenses of additional senior business and commercial development staff added in 2007 to support partnering activities and expenses associated with equity-based compensation under FAS 123R.

The total net loss for the current quarter was \$10.6 million or \$0.14 per share compared with \$9.1 million or \$0.15 per share in the second quarter of 2006. The total net loss for the first six months of 2007 was \$18.1 million or \$0.23 per share compared to \$17.6 million or \$0.29 per share for the first six months of 2006. These increased net losses included the impact of the \$2.9 million ATryn® inventory write-off. Excluding the inventory write-off our pro forma net loss was reduced on a year-to-year basis to \$7.7 million or \$0.10 per share for the quarter and to \$15.2 million or \$0.20 per share for the six month period. The per share results were affected by an increase in the number of weighted average shares outstanding from 61.4 million shares for the second quarter 2006, to 77.9 million shares in the second quarter 2007. The weighted average number of shares outstanding increased from 61.1 million shares for first the six months of 2006 to 77.7 million shares in the first six months of 2007.

The increases in the number of weighted average shares outstanding primarily reflect the issuance of common stock in our July 2006 registered direct offering and the common shares issued to LFB in December 2006.

Cash and marketable securities totaled just under \$30 million at the end of the second quarter. Our net cash use was \$9.9 million for the second quarter and \$14.1 million year-to-date, including the \$4.5 million of cash received from LFB in January as the final installment of its equity investment. Exclusive of LFB's investment, we used \$18.6 million of cash in the first half of 2007. As we have previously stated our half one cash use was expected to be higher than the -- in the first half than the second half due to the cost of the ATryn® manufacturing campaign that was completed in the second quarter. We project a net cash use of between \$7 and \$9 million for the second half of the year reflecting revenues from new and existing partnering arrangements including our programs with Merrimack and PharmAthene as well as continued investment in Factor VIIa and CD20.

This projection assumes no financial recovery from the loss of ATryn® inventory batches. Any recovery would be an upside to these projections. We believe that our current cash resources will be sufficient to finance the Company well into the second half of 2008 beyond the value creating events associated with the progress of our DIC clinical study in Europe, completion of our US Phase III clinical trial and filing of the NDA for ATryn® in hereditary deficiency.

This is consistent with our previous forecast. Geoff.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Thank you, Jack. Now, let me take a few minutes to review our progress with collaborative work on external products and how that fits in with our overall strategy. The MM-093 program for Merrimack Pharmaceuticals and the Protexia product for PharmAthene like ATryn® Factor VIIa and Alpha-1 antitrypsin are recombinant forms of human plasma proteins and are a strategic fit with our portfolio of hematology products.

MM-093 is a recombinant form of human alpha-fetoprotein for which Merrimack is conducting Phase II clinical studies in autoimmune indications. Protexia is a recombinant form of human butyrylcholinesterase that is in development as a potential biodefense treatment for nerve toxins. Other products are present in very small quantities in the bloodstream rendering them impractical by harvesting -- for harvesting biofractionation techniques for large volume applications. They also are both enabled through the application of our technology since these proteins are difficult to express in cell culture and other manufacturing systems. For MM-093 we developed a production herd for Merrimack, care for their animals, and provide the milk for subsequent purification of their contract facilities.

For the Protexia product we provide a license for PharmAthene's goats that were originally developed by Nexia using transgenic technology. We are also providing process development services for the downstream purification as well as regulatory analytical support. Both products provide current revenue and like the FOB programs I discussed in my opening remarks represent opportunities to leverage our existing resources without taking on significant new cash expenses. Both companies have recently discussed advances in their development efforts. MM-093 is continuing in Phase II clinical studies. PharmAthene just announced a successful reverse merger to become a public company to broaden their financial base for product development.

We will continue to look for opportunities to add similar external program collaborations where our technology brings value to the development of the product and there is a fit with our expertise in hematology, oncology or autoimmune conditions, and there is a commitment to using our technology in clinical and commercial applications. In addition to helping support the commercial production infrastructure we have developed these programs help broaden the adoption of our technology. What you've heard today is a strategy which we believe is both thoughtful and realistic and which is being developed with the objective of leveraging the special and unique characteristics of our technology in order to build a significant company.

It is important that I remind you that our objectives are to leverage an existing validated commercial production infrastructure. Many of the products we're developing are known chemical entities. But our ability to produce these products in large volumes and low costs, enable us to exploit these products in new and broader clinical areas to create new and larger markets than is currently possible.

Our skills and intellectual property are rather unique however, which provides a competitive advantage and an ability to pursue opportunities in a strategically unique way. The risk profile of GTC's product portfolio is significantly lower than that of the vast majority of biotechnology companies. We share your frustration in the value we have created, and continue to create is not yet being recognized in our share price. However, we believe that we have a clear and coherent strategy for success and this will be recognized as we execute on this strategy.

Our opportunity for news flow over the coming months is strong and I greatly look forward to updating you on our progress in future calls. It is also important for me to say, that we greatly value our investors' interest and support, many of whom have been investors for a long time. Your opinions, thoughts and continuing engagement with the Company's progress is important to me personally, the management and the employees of GTC. I look forward to updating you on our progress. So, I thank you for listening to our prepared remarks and now, we'll turn it over to operator to open the call to any questions that may be.

QUESTION AND ANSWER

Operator

Aug. 09. 2007 / 10:00AM ET, GTCB - Q2 2007 GTC Biotherapeutics, Inc. Earnings Conference Call

Thank you sir, [OPERATOR INSTRUCTIONS]. Please stand by for your first question. Ladies and gentlemen you may press star one to ask the question. Gentlemen, you have a question from Sean Wu with Rodman and Renshaw.

Sean Wu - Rodman and Renshaw - Analyst

Hello, this is Sean Wu.

Jack Green - GTC Biotherapeutics, Inc. - CFO

Good morning Sean.

Sean Wu - Rodman and Renshaw - Analyst

Thank you very much for taking my call, congratulations on a quarter progress. I have a question about your cash for the next half, you said that you were going to have a \$7 to \$9 million, but according to my calculation, you, for your second quarter, you almost have like a \$10 million worth of SG&A there. So do you see them go down substantially or you see a larger jump over revenue you from current level of \$2.8 [million] with like how much you would expect to the reimburse from the agent sales to -- DIC trial. I guess as they don't come at a very high margin, do they?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Well, why don't we just see if I can, at the end of the first quarter, we stated that we would have a \$15 to \$18 million of cash use during the final three quarters of the year. And you're quite right, we had just under \$10 million cash usage in the first year, or sorry, in the second quarter, which we have just disclosed to investors. And we also said at the end of the first quarter, that we expected our cash usage to be higher in the first half of the year than in the second half of the year.

Our revenues can sometimes be lumpy in any case, but we also were accommodating the cost for our ATryn® production for clinical trials, and for commercial product as Jack described in his financial comments. So we did expect our costs to be higher in the first half of the year. Now, if you take the \$10 million or just under \$10 million which we used in the second quarter, away from that \$15 to \$8-- that leaves \$5 to \$8 million for the second half of the year. What we have just disclosed is \$7 to \$9 million, which is a reflection of us on -- two things, first of all, taking account of the loss which we just incurred and disclosed with regard to the fill/finish contract operations and so that obviously has given us a cost which we hadn't planned for.

But on the other hand, we have already taken some steps in order to manage our own affairs in a way which mitigates some of those costs as well, and as a result we have effectively increased our cash projections for the year by what is rather a small amount of \$1 million over what we had previously expected. So we believe that our cash forecast still remain in place, we -- would be on our basic course on our forecast of partnering revenues from people such as Merrimack and PharmAthene, those are revenues which are subject to [exit] the contract which are already in place. There are some partnering revenues and therefore partnering activities which have still to be accomplished, but nonetheless they are not heavily weighted in that respect, in other words this is not something which is distorted by a very large partnering incomes or which has not yet been identified. So, I think we're still comfortable with those projections and we will continue to work towards achieving the -- our cash forecast.

Sean Wu - Rodman and Renshaw - Analyst

Thanks, Mr. Cox. Your \$2.9 million cost because it is again second [question] to be a non cash expense right? It is a puzzle your cost of revenue?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Well, it's a -- it's a write off.

Sean Wu - Rodman and Renshaw - Analyst

Yes.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

And so it was -- it's real money if you understand me.

Sean Wu - Rodman and Renshaw - Analyst

Yes, I know.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

And but it was money which has already been taken account of in our second quarter figures. So we obviously have to replace that material at some point in the future and we have already made arrangements to do that. But as I said on the other hand we have also taken some steps of mitigation in terms of our other programs and another operating costs in order to be able to ensure that we meet the forecast which we have already disclosed.

Sean Wu - Rodman and Renshaw - Analyst

That's great, thank you so much. Can you offer a guidance on your total revenue for the year?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Well, as you know, Sean with the -- for some long time we have not projected revenues. We do project cash and that I think is appropriate for where we are at this moment. With the rules and requirements of revenue recognition, which are complex on long based contracts which we have for -- with a number of our clients, projecting revenues is always a tricky affair and we feel it is better guidance at this stage of the Company's development to give you cash projections and that we feel very much more straight forward process to be able to commit to those figures.

Sean Wu - Rodman and Renshaw - Analyst

Okay, can I have a final question?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Sure.

Sean Wu - Rodman and Renshaw - Analyst

I -- you said -- you list some of the countries the DIC trial from LEO Pharma is going to have, including Canada and some other European countries. Do you expect them to enter some US trial states as well?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Not in this study, I think that this is going to be pretty well a European based study and nonetheless we are very strongly of the opinion that the data from the Europe -- from a Phase II European study conducted under this type of protocol, which is very well designed, it has also been approved under scientific advice with the EMEA. We believe this data will be more than adequate for us to be able to take the FDA and to be able to have the US included in future studies at -- for DIC which we obviously hope to be a Phase III study, and which -- our objective is to hopefully be able to do an international study including US patients in a Phase III in addition to European patients and for us to be able to do a

Aug. 09. 2007 / 10:00AM ET, GTCB - Q2 2007 GTC Biotherapeutics, Inc. Earnings Conference Call

single study which could be usable both in Europe and in the United States for a label in acquired deficiency in DIC. So that's our objective, we still obviously have quite a lot of water to flow under the bridge before we get there, but we're very comfortable with this clinical strategy as far as the Phase II stage.

Sean Wu - Rodman and Renshaw - Analyst

Thank you very much (inaudible).

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

You are very welcome Sean, good to hear from you.

Operator

(OPERATOR INSTRUCTIONS) And you have a follow up question from Sean Wu with Rodman and Renshaw.

Sean Wu - Rodman and Renshaw - Analyst

Yes, since I am just confused (inaudible) Now, you have this big [agent] deal with LEO for DIC. If someone comes to you for a [burn] indication is it still available or LEO has option to take it to burn, I know for sometime you have talking about a burn indication?

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Yes, that's a very good question Sean, thanks for asking it. The burn indication remains one which we have quite a lot of work on that in the past and it is an area which remains of quite significant interest. And just to for other investors who may not be aware of it there has been quite a lot of work done where people have severe burns, which can result in acquired deficiency in DIC as a result of consumption of antithrombin during the cause of the [causing] associated with this severe burn. These patients can go into both sepsis condition and actually into develop thrombosis and various other things in their -- whole clotting system becomes out of balance.

When LEO were looking at the options and alternatives for developing an acquired deficiency indication, they looked at the burn indication. They chose in the end to develop in the DIC indication, because they felt that that was the one which strategically from their perspective was of greatest interest. It doesn't mean to say that they would not be interested in burns at a later stage, but also we have the opportunity to be able to pursue burns in other territories, we completely pursue burn indications in the United States and there are a number of other acquired deficiency indications also including a coronary artery bypass surgery which are potential opportunities for us to perhaps develop a broader range of indications for antithrombin and for ATryn® .

So, I think this is something which is still very much on our radar screen, at the end of the day at this moment I think our focus is to try and seek a commercialization partner in the United States and then to work with them, as to what their strategic interests may be in terms of developing further indication from the US market which may well include DIC but it may also include other indications and that's something which is still a work in progress at this time.

Sean Wu - Rodman and Renshaw - Analyst

Thank you, very much.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

You are very welcome.

Operator

(OPERATOR INSTRUCTIONS) As there are no further questions in queue at this time, I'll turn the call back to management for closing remarks.

Geoffrey Cox - GTC Biotherapeutics, Inc. - Chairman and CEO

Thank you very much indeed and thank you everyone for joining us in this review of our financial results for the second quarter of 2007. But we expect to be able to discuss our third quarter 2007 results in November and we look forward to speaking with you again at that time. In the meantime for those of you on vacation, enjoy, for those of still yet to go, please enjoy that vacation we look forward to seeing in a number of conferences at that which we will be presenting in the fall. Thank you very much indeed everyone, have a great day.

Operator

Ladies and gentlemen this concludes your participation in today's call, this concludes the presentation (inaudible) have a good day.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2005, Thomson StreetEvents All Rights Reserved.