

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): August 12, 2004

A.P. PHARMA, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

1-16109

94-2875566

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

123 SAGINAW DRIVE, REDWOOD CITY, CALIFORNIA 94063

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code:

(650) 366-2626

N/A

(Former Name or Former Address, if Changed Since Last Report)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 7. Financial Statements, Pro Forma Financial Information
and Exhibits.

(c) Exhibits

99.1 Press release dated August 12, 2004.

ITEM 12. Results of Operations and Financial Condition.

The following information is disclosed pursuant to Item 12 of
Form 8-K:

On August 12, 2004, the Registrant issued a press release
announcing its financial results for the fiscal quarter ended
June 30, 2004. The press release is attached hereto as Exhibit
99.1 and incorporated herein by reference.

SIGNATURE

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 hereunto duly authorized.

A.P. PHARMA, INC.

Date: August 12, 2004

By: /S/ Michael O'Connell

Michael P. J. O'Connell,
President and Chief
Executive Officer

99.1 Press release dated August 12, 2004.

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A.P. Pharma Logo

News Release

A.P. PHARMA REPORTS SECOND QUARTER FINANCIAL RESULTS

REDWOOD CITY, Calif. (August 12, 2004) - A.P. Pharma, Inc. (NASDAQ NM: APPA), a specialty pharmaceutical company, today reported financial results for the three months ended June 30, 2004, reflecting increased royalty income and contract revenues as well as higher research and development expense due to the company's Phase 2 trial with APF112 and Phase 1 trial with APF530.

Second Quarter Financial Highlights

- * Total revenues for the second quarter increased 15% to \$1,284,000.
- * Royalties from Retin-A Micro(R) grew by over 9%.
- * Increased contract revenues reflect reimbursements from a new collaborator in an ophthalmic application.
- * Research and development expense increased by 27% as a result of clinical trials on APF112 and APF530.
- * The Company completed a financing of approximately 4.2 million shares raising net proceeds of approximately \$11.8 million.
- * Cash, cash equivalents and short-term investments were \$16.7 million at June 30, 2004.

Financial Results

A.P. Pharma reported that total revenues for the second quarter of 2004 increased 15% to \$1,284,000, compared with \$1,117,000 for the second quarter of 2003. This increase was primarily due to a continuing increase in royalty income from Retin-A Micro marketed by OrthoNeutrogena, a Johnson & Johnson company, and to an increase in contract revenues for reimbursable research and development feasibility studies, primarily from a new collaborator in an ophthalmic application.

Research and development expense for the second quarter of 2004 increased to \$2,963,000 from \$2,335,000 for the second quarter of 2003. This increase was mainly due to the costs of Part 2 of the Phase 2 clinical study being conducted using APF112 for the treatment of post-surgical pain and a Phase 1 study being performed in the U.K. using APF530 for the treatment of chemotherapy-induced nausea and vomiting.

The net loss for the second quarter of 2004 was \$2,444,000, or \$0.12 per share, compared with a net loss for the second quarter of 2003 of \$1,960,000, or \$0.10 per share.

Cash, cash equivalents and marketable securities increased to \$16.7 million at June 30, 2004 as a result of the sale in June 2004 of approximately 4.2 million shares of common stock. The net proceeds from the financing, which was completed pursuant to a "shelf" registration statement, were approximately \$11.8 million.

About A.P. Pharma

A.P. Pharma is a specialty pharmaceutical company focused on the development of ethical (prescription) pharmaceuticals utilizing its proprietary polymer-based drug delivery systems. The Company's primary focus is the development and commercialization of its bioerodible injectable and implantable systems under the trade name Biochronomer. Initial target areas of application for the Company's drug delivery technology include pain management, anti-nausea, inflammation, oncology and ophthalmology applications. The Company's product development programs are funded by the sale of common stock, royalties from topical products currently marketed by pharmaceutical partners, proceeds from the divestitures of its cosmeceutical and analytical standards product lines and by fees it receives from collaborative partners. For further information visit the Company's web site at www.appharma.com.

Forward-looking Statements

Except for historical information, this news release contains certain

forward-looking statements that involve risks and uncertainties including, among others, uncertainty associated with timely development, approval, launch and acceptance of new products, establishment of new corporate alliances and progress in research and development programs. Other risks and uncertainties associated with the Company's business and prospects are identified in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to revise these forward-looking statements to reflect events or circumstances occurring in the future.

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(Financial tables follow)

Company Contact:
Gordon Sangster
Chief Financial Officer
(650) 366-2626

A.P. Pharma, Inc.
Statement of Operations Highlights
(in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, 2004 | June 30, 2003 | June 30, 2004 | June 30, 2003 |
| | ----- | ----- | ----- | ----- |
| Royalties | \$1,103 | \$1,031 | \$2,257 | \$2,063 |
| Contract Revenues | 181 | 86 | 206 | 160 |
| | ----- | ----- | ----- | ----- |
| Total Revenues | 1,284 | 1,117 | 2,463 | 2,223 |
| Operating Expenses: | | | | |
| Research & Development | 2,963 | 2,335 | 5,999 | 4,537 |
| General & Administrative | 762 | 766 | 1,486 | 1,544 |
| | ----- | ----- | ----- | ----- |
| Total Operating Expenses | 3,725 | 3,101 | 7,485 | 6,081 |
| Operating Loss | (2,441) | (1,984) | (5,022) | (3,858) |
| Interest Income and Other, Net | 49 | 54 | 79 | 129 |
| | ----- | ----- | ----- | ----- |
| Loss from Continuing Operations | (2,392) | (1,930) | (4,943) | (3,729) |
| Gain (Loss) from Discontinued Operations | (52) | (30) | (101) | 1,802 |
| | ----- | ----- | ----- | ----- |
| Net Loss | (\$2,444) | (\$1,960) | (\$5,044) | (\$1,927) |
| | ===== | ===== | ===== | ===== |
| Basic and Diluted Loss per Share: | | | | |
| Loss from Continuing Operations | (\$0.11) | (\$0.09) | (\$0.24) | (\$0.18) |
| | ===== | ===== | ===== | ===== |
| Net Loss | (\$0.12) | (\$0.10) | (\$0.24) | (\$0.09) |
| | ===== | ===== | ===== | ===== |
| Shares used in Calculating Loss per Share: | | | | |
| Basic and Diluted | 21,048 | 20,535 | 20,850 | 20,505 |
| | ===== | ===== | ===== | ===== |

A.P. Pharma, Inc.
Balance Sheet Highlights
(in thousands)

| | June 30, 2004 (Unaudited) | December 31, 2003 |
|--|------------------------------|----------------------|
| | ----- | ----- |

Assets

| | | |
|---|----------|----------|
| Cash, Cash Equivalents and Marketable Securities | \$16,657 | \$ 9,484 |
| Accounts Receivable, Net | 1,287 | 1,340 |
| Other Current Assets | 462 | 434 |
| | ----- | ----- |
| Total Current Assets | 18,406 | 11,258 |
| Property, Plant & Equipment, Net | 1,366 | 1,430 |
| Other Non-Current Assets | 282 | 467 |
| | ----- | ----- |
| Total Assets | \$20,054 | \$13,155 |
| | ===== | ===== |

Liabilities and Shareholders' Equity

| | | |
|---|----------|----------|
| Current Liabilities | \$ 1,833 | \$ 1,892 |
| Shareholders' Equity | 18,221 | 11,263 |
| | | |
| Total Liabilities and Shareholders' Equity | \$20,054 | \$13,155 |
| | ===== | ===== |