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

[X] Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1996

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ----- to -----

Commission file Number 0-16109

ADVANCED POLYMER SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2875566
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3696 Haven Avenue, Redwood City, CA 94063
(Address of principal executive offices)

(415) 366-2626
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 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 X No ---

At July 31, 1996 the number of outstanding shares of the Company's common stock, par value $.01, was 18,190,848.

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PART I. FINANCIAL INFORMATION

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,533,456	$ 5,172,809
Trade accounts receivable, net	4,339,453	2,436,815
Inventory	5,432,409	7,858,584
Prepaid expenses and other	905,488	1,001,672
Total current assets	18,210,806	16,469,880
Property and equipment, net	4,739,404	5,027,034
Deferred loan costs, net	748,591	832,324
Prepaid license fees	234,698	303,638
Intangible assets, including goodwill, net	1,405,679	345,557
Other assets	60,453	103,809
	$ 25,399,631	$ 23,082,242
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,225,350	$ 3,240,807
Accrued expenses	2,402,840	1,819,541
Accrued melanin purchase commitments	--	600,000
Accounts payable, Johnson & Johnson	3,360,466	4,229,637
Deferred revenues	750,000	750,000
Notes payable	1,250,000	--
Current portion - long-term debt	1,059,075	853,987
Total current liabilities	10,047,731	11,493,972
Long-term debt	5,909,778	6,354,969
Total liabilities	15,957,509	17,848,941
Shareholders' equity:		
Common stock and common stock warrants	75,716,172	67,423,859
Unrealized gain on securities	6,208	12,348
Accumulated deficit	(66,280,258)	(62,202,906)
Total shareholders' equity	9,442,122	5,233,301
	$ 25,399,631	$ 23,082,242

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	3 Months Ended		6 Months Ended	
	June 30, 1996	June 30, 1995	June 30, 1996	June 30, 1995
Product revenues	$ 5,303,520	$ 4,711,201	$10,406,992	$ 8,997,420
Licensing/consulting revenues	50,000	30,000	100,000	885,000
Total revenues	5,353,520	4,741,201	10,506,992	9,882,420
Cost of sales	2,989,382	3,348,289	6,294,188	6,371,335
Research & development	983,843	983,292	1,873,799	1,914,521
Selling & marketing	1,315,337	1,256,449	2,756,018	2,360,690
Advertising & promotion	1,071,410	326,061	1,668,297	599,224
General & administration	833,870	784,237	1,503,891	1,530,843
Total expenses	7,193,842	6,698,328	14,096,193	12,776,613
Operating loss	(1,840,322)	(1,957,127)	(3,589,201)	(2,894,193)
Interest income	75,012	88,413	113,968	186,397
Interest expense	(313,948)	(66,580)	(613,026)	(132,760)
Other income (expense)	21,201	(7,090)	10,905	(11,433)
Net loss	$(2,058,057)	$(1,942,384)	$(4,077,354)	$(2,851,989)
Loss per common share	$ (0.11)	$ (0.12)	$ (0.23)	$ (0.17)
Weighted average common shares outstanding	18,080,623	16,415,732	17,717,740	16,297,473

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1995
(UNAUDITED)

	June 30, 1996	June 30, 1995
Cash flows from operating activities:		
Net loss	$(4,077,354)	$(2,851,989)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	840,257	578,970
Change in allowance for doubtful accounts	(4,106)	(412)
Accretion of marketable securities	--	(75,802)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,898,532)	(2,777,291)
Inventory	2,426,175	(1,445,683)
Prepaid expenses and other	96,184	68,934
Other assets	22,352	(82,532)
Accounts payable and accrued expenses	(2,301,329)	3,408,146
Net cash used in operating activities	(4,896,353)	(3,177,659)
Cash flows from investing activities:		
Purchases of fixed assets	(211,547)	(251,932)
Purchase of marketable securities	(512,513)	(1,958,891)
Maturities and sales of marketable securities	506,374	3,248,691
Net cash provided from (used in) investing activities	(217,686)	1,037,868
Cash flows from financing activities:		
Proceeds from the exercise of common stock options and warrants	1,561,769	338,644
Proceeds from note payable	1,250,000	--
Proceeds from long-term debt	150,000	--
Repayment of long-term debt	(390,103)	(146,049)
Proceeds from private placements of equity securities, net	4,903,020	1,384,026
Net cash provided from financing activities	7,474,686	1,576,621
Net increase (decrease) in cash and cash equivalents	2,360,647	(563,170)
Cash and cash equivalents, beginning of the period	5,172,809	2,741,994
Cash and cash equivalents, end of the period	$ 7,533,456	$ 2,178,824

Supplemental disclosure of non-cash financing transactions:

During the first quarter of 1996, the Company acquired all rights to the Polytrap(R) technology from Dow Corning Corporation in exchange for shares of Common Stock valued at $1,200,000.

During the first quarter of 1996, the Company paid BioSource for the 1995 purchase commitment totalling $600,000 by issuing 94,000 shares of Common Stock.

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995
(UNAUDITED)

(1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position of Advanced Polymer Systems, Inc. and subsidiaries ("the Company") as of June 30, 1996 and the results of their operations for the three and six months ended June 30, 1996 and 1995, and their cash flows for the six months ended June 30, 1996 and 1995.

These condensed consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 1995, 1994 and 1993.

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries, Premier, Inc. ("Premier"), Advanced Consumer Products, Inc., APS Analytical Standards, Inc., and APS Joint Venture Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

The business of Premier, the Company's marketing and distribution subsidiary, is highly seasonal in that it markets and distributes sunscreen products under an exclusive distribution agreement with Johnson & Johnson. In addition, effective September 1995, the Company licensed from Reckitt & Colman the exclusive U.S. rights to the Neet(R) line of depilatory products. Sales of the two sunscreen products and the depilatory product line are heavily weighted to the first two quarters of the calendar year, so the results of operations for the interim periods are not necessarily indicative of the results for the full year.

The Company considers all short-term investments which have original maturities of less than three months to be cash equivalents.

Certain reclassifications have been made to the prior period financial statements to conform with the presentation in 1996.

(2) COMMON SHARES OUTSTANDING AND PER SHARE INFORMATION

Common stock outstanding as of June 30, 1996 is as follows:

	Number of Shares
Common stock outstanding as of December 31, 1995	17,026,666
Options exercised after December 31, 1995	229,154
Warrants exercised	66,337
Shares issued to Lander Company	356,761
Shares issued in debt financing arrangements	10,675
Shares issued for acquisition of all rights to the Polytrap technology from Dow Corning	200,000
Shares issued to pay BioSource for the 1995 Melanin commitment	94,000
Shares issued in Private Placement	201,922
TOTAL SHARES	18,185,515

Per share information is based on the weighted average number of shares of common stock outstanding, as adjusted during each of the periods. Stock options and warrants (common stock equivalents) are not included in the calculations as their inclusion would be anti-dilutive.

(3) SALE OF COMMON STOCK

In the first quarter of 1996, the Company formed a collaborative agreement with the Lander Company under which the Company received $2,976,000 in net proceeds from the sale of 356,761 shares of Common Stock. In addition, the Company will receive licensing fees, research and development funding and royalties on product sales in the future.

(4) ACQUISITION OF ALL RIGHTS TO POLYTRAP TECHNOLOGY

In the first quarter of 1996, APS acquired all patents and rights to the Polytrap technology from Dow Corning in exchange for 200,000 shares of APS Common Stock. APS recorded intangible assets totalling $1,200,000 relating to this transaction. The intangible assets are being amortized on a straight line basis over a period of approximately 10 years, which is the remaining life of the main patent acquired.

(5) PRIVATE PLACEMENT

During the second quarter of 1996, APS received $1,946,475 net of offering costs, through a private placement and sale of 201,922 shares of common stock and 86,538 warrants exercisable over a three-year period. The warrants are exercisable at the following prices:

Number of shares	Exercise Price
28,846	$7.43
28,846	$9.90
28,846	$12.38

The private placement was pursuant to an agreement for the sale of up to $5,000,000 of common stock and warrants, which can be initiated at the Company's sole discretion.

(6) NOTES PAYABLE

During the first half of 1996, the Company received advances from a supplier totalling $1,250,000, with an interest rate equal to the Prime Rate. Interest and principal are due in October 1996.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(ALL DOLLAR AMOUNTS ROUNDED TO THE NEAREST THOUSAND)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 1996 AND 1995

To the extent that this report discusses financial projections, information or expectations about our products or markets, or otherwise makes statements about future events, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These include, among others, uncertainty associated with timely approval and acceptance of new products, the costs associated with new product introductions, establishment of new corporate alliances, progress in research and development programs and other risks listed from time to time in the Company's Securities and Exchange Commission filings.

Revenues for the three months ended June 30, 1996 were $5,354,000 compared to $4,741,000 in the corresponding period of the prior year. This represented product revenues of $5,304,000, an increase of $592,000 or 13% from the second quarter of the prior year, and licensing revenues of $50,000.

The increase in product revenues is partly attributable to revenues derived from polymer supply which included a year-to-date catch-up payment of $750,000 relating to minimum purchase requirements and royalties regarding product previously supplied to Scott Paper Company. This product line was recently acquired by Kimberly-Clark Tissue Company and subsequently sold to Procter & Gamble. Increased revenues also were attributed to sales of Neet(R) depilatories which were licensed from Reckitt and Colman in the third quarter of 1995. These increases were partially offset by decreased sales of the in-licensed Johnson & Johnson suncare product lines.

Gross profit on product revenues for the second quarter increased to $2,314,000 or 44% from $1,363,000 or 33% in the corresponding period of the prior year. This was due primarily to the payment from Kimberly-Clark referred to above and the sales mix of higher margin consumer products.

Research and development expense for the second quarter was flat with the corresponding period of the prior year at $983,000.

Selling and marketing expense increased by $59,000 or 5% to $1,315,000 due mainly to the commencement of marketing and distribution of polymeric delivery systems directly to manufacturers of cosmetics and personal care products. This business was acquired from Dow Corning in the first quarter of 1996.

Advertising and promotion expense increased by $745,000 or 229% to $1,071,000 due primarily to a sampling program and advertising related to the Neet line of depilatories which was licensed in the third quarter of 1995, and print advertising for the Exact line of acne medications.

General and administrative expense increased by $50,000 or 6% over the second quarter of the prior year due mainly to increased spending on a variety of outside services.

The operating loss for the second quarter of $1,840,000 represented an improvement of $117,000 or 6% from the corresponding quarter of the prior year.

Interest expense increased for the second quarter by $247,000 or 372% to $314,000 due primarily to the debt financing arranged by the Company in the second half of the prior year.

The net loss for the second quarter of $2,058,000 represented an increase of $116,000 or 6% from the corresponding period in the prior year due mainly to the increase in interest expense.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1995

Revenues for the six months ended June 30, 1996 amounted to $10,507,000, an increase of $625,000 or 6% over the corresponding period of the prior year.

Product revenues increased by $1,410,000 or 16% to $10,407,000. This was due mainly to increased sales of consumer products, primarily sales of the Neet line of depilatories, partially offset by decreased sales of the in-licensed Johnson & Johnson suncare products. The payment of $750,000 relating to minimum purchase requirements and royalties regarding product previously supplied to Scott Paper Company also contributed to the increase in revenues. In the first half of 1996, licensing revenues decreased from $885,000 to $100,000 due mainly to the receipt in the first half of the prior year of a milestone payment of $1,500,000 from Johnson & Johnson's Ortho Pharmaceutical Corporation, of which half was recognized as revenues.

Gross profit on product revenues for the six months ended June 30, 1996 increased by $1,487,000 or 57% over the corresponding period of the prior year due mainly to improved sales mix of higher margin consumer products and the payment from Kimberly-Clark referred to above.

Research and development expense was essentially flat for the first six months of 1996 compared to the corresponding period of the prior year, decreasing by $41,000 or 2% to $1,874,000. Selling and marketing expense increased by $395,000 or 17% due mainly to the commencement of marketing and distribution for the polymer supply shipments to manufacturers of cosmetics and personal care products in the business acquired from Dow Corning in the first quarter of 1996. Advertising and promotion expense increased by $1,069,000 or 178% due mainly to a sampling program and advertising for the Neet line of depilatories, and print advertising for the Exact line of acne medications.

General and administrative expense was essentially flat decreasing by $27,000 or 2% to $1,504,000.

The operating loss for the first six months of 1996 increased by $695,000 or 24% due mainly to the increased advertising and promotion expense.

Interest expense increased by $480,000 or 362% to $613,000 due primarily to the debt financing arranged by the Company in the second half of 1995.

The net loss for the six months ended June 30, 1996 totalled $4,077,000 compared to $2,852,000 in the corresponding period of the prior year.

CAPITAL RESOURCES AND LIQUIDITY

Total assets as of June 30, 1996 were $25,400,000 compared with $23,082,000 at December 31, 1995, and working capital increased to $8,163,000 from $4,976,000. In the same period, cash and cash equivalents increased to $7,533,000 from $5,173,000. During the first six months of 1996, Company operations used $4,896,000 of cash. The Company invested approximately $1,874,000 in product research and development and $4,424,000 in selling, marketing and promoting products.

The Company has financed its operations, including product research and development and promotional activities, from amounts raised in debt and equity financings; product sales; payments received under licensing agreements; and interest earned on short-term investments.

In prior years, cash was expended with regard to Phase III clinical tests on tretinoin entrapped in a Microsponge(R) delivery system for the treatment of acne, and on APS' melanin-Microsponge sun protectant product, together with related research and development costs, all of which decreased substantially in 1995 following the filing of the respective NDAs. Additionally, the Company is contractually obligated to purchase minimum annual quantities of melanin. Failure to purchase the minimum quantities results in a mandatory annual payment of $600,000 to its melanin supplier under "take or pay" provisions. The minimum financial commitments not yet expensed by APS under the current agreements are $600,000 per annum for each of the years in the two year period ending December 31, 1998, for an aggregate of $1,200,000.

In the second quarter of 1996, the Company entered into an agreement for the sale of up to $5,000,000 of common stock and warrants, which can be initiated at the Company's sole discretion. The Company initiated a drawdown of $2,000,000 in May 1996 in return for 201,922 shares and 86,538 warrants exercisable over a three year period. This, together with the Company's existing cash and cash equivalents, collections of trade accounts receivable, interest income and other revenue producing activities including milestone payments, are expected to be sufficient to meet the Company's near-term cash requirements assuming no changes to existing business plans.

PART II.

Item 1. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual shareholders' meeting was held on June 5, 1996, at which an amendment to the Company's 1992 Stock Plan to increase the number of shares by 750,000 was approved with 10,802,397 votes for the amendment and 2,436,538 votes withheld. In addition, the following directors were re-elected:

	Votes For	Votes Withheld
Mr. John J. Meakem, Jr., Chairman of the Board	13,175,600	63,335
Dr. Carl Ehmann	12,134,596	1,104,339
Dr. Jorge Heller	12,137,066	1,101,869
Mrs. Helen Leong	13,171,320	67,615
Mr. Peter Riepenhausen	13,175,200	63,735
Mr. Toby Rosenblatt	13,174,750	64,185
Mr. Gregory Turnbull	13,175,150	63,785
Mr. Dennis Winger	13,174,950	63,985

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: 27 Financial Data Schedules

(b) Reports on Form 8-K: None

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.

ADVANCED POLYMER SYSTEMS, INC.

Date: August 12, 1996 By: /s/ John J. Meakem, Jr.

John J. Meakem, Jr.
Chairman, President and
Chief Executive Officer

Date: August 12, 1996 By: /s/ Michael O'Connell

Michael O'Connell
Chief Financial Officer

EXHIBIT INDEX

Form 10-Q

ADVANCED POLYMER SYSTEMS, INC.

27 -Financial Data Schedules.

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JAN-01-1996
JUN-30-1996
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107,134
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