UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______ to ______

Commission File No. 0-27206

SPACEHAB, Incorporated

(Exact name of registrant as specified in this charter)

Washington	**91-1273737**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12130 Highway 3, Building 1

Webster, Texas 77598-1504

(713) 558-5000

(Address of principal executive offices, including zip code, and telephone number)

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 ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ¨ No x

As of November 7, 2005 there were 12,717,727 shares of the registrant s common stock outstanding.

Table of Contents

EXPLANATORY NOTE

SPACEHAB Inc. is amending their first quarter fiscal year 2006 Form 10-Q to correct the date in the heading to the Table of Contents on page 1 and to adjust net borrowings reported under our credit facility to $1.0 million as of September 30, 2004 as presented in the Cash Flows from Financing Activities section within the documents Management Discussion and Analysis section (ITEM 2). We have only included those sections of the Form 10-Q that have modified text.

Note: There are no other SIGNIFICANT changes to the original Form 10-Q filing other than those outlined above. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q, or modify or update the disclosures therein in any way other than as required to reflect the amendment set forth below.

1

Table of Contents

SPACEHAB, INCORPORATED AND SUBSIDIARIES

SEPTEMBER 30, 2005 QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

Table of Contents

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

The following discussion should be read together with the unaudited consolidated financial statements and the notes thereto included in this report.

OVERVIEW

This document may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including (without limitation) statements under Management s Discussion and Analysis of Financial Condition and Results of Operations and Liquidity and Capital Resources. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. In addition to those risks and uncertainties discussed herein, such risks and uncertainties include, but are not limited to, whether the Company will fully realize the economic benefits under its NASA and other customer contracts, continued utilization by NASA and others of our habitat modules and related commercial space assets, completion of the ISS, continued availability and use of the U.S. space shuttle system, technological difficulties, product demand and market acceptance risks, the effect of economic conditions, uncertainty in government funding and the impact of competition, delays and uncertainties in future space shuttle and ISS programs, uncertainties related to the Government s commitment to President Bush s vision for space exploration, and resolution of the Company s claims against NASA arising from the loss of its RDM on the *Columbia* orbiter during the STS-107 mission.

In the midst of great change within the global space services industry, our priority is on sustaining our reputation for innovation and technical excellence, securing new business, forging strategic partnerships, and expanding our core capability. While we continue to place an emphasis on enjoying our work, an attribute that draws to SPACEHAB the most knowledgeable and capable employees in the industry, we continue to focus, with great intensity, on business fundamentals. These entail the things that we must do to maintain our reputation as an affordable, capable, and dependable supplier of commercial space services while generating profit and attaining the success we seek in a highly competitive industry.

To better serve the emerging needs of the space-faring community worldwide, SPACEHAB is augmenting its proven services with new capabilities. We are conducting a detailed market assessment of the commercial and government markets identifying specific customer space access requirements. We are preparing for major NASA solicitations in support of their commercial ISS resupply requirements and procurements associated with the vision for space exploration. We are also developing a family of rocket-launched spacecraft, known as Apex, to accommodate delivery and return of pressurized and unpressurized cargo to and from ISS, and provide space and spacecraft services for space-based research, technology development, and mission operations across the full spectrum of science, exploration, commercial, and defense applications. The Apex modular, multipurpose spacecraft system includes a variety of configurations, sized to perform a range of missions, from small payload services platforms and advanced technology demonstrator, to cargo transport to and from the ISS and other destinations throughout the solar system. The Apex spacecraft are designed for a recoverable reentry to allow the payload owner or operator to get back their costly flight hardware, cargo item, or experiment results.

SPACEHAB operates in three main areas generally related to space flight activities within the aerospace industry: space assets and mission support services for manned and unmanned space exploration and research missions; commercial and exploratory satellite pre-launch services; and engineering services in support of government space operations. We also operate a retail space merchandise operation and provide space-related educational services. Because of the diversity among the operations of our activities, we report the results of each business as a separate segment in our consolidated financial statements. Our consolidated financial results also reflect corporate-level expenses such as general and administrative, interest, and depreciation and amortization, but because of their nature, these items are not reported as a separate segment.

Business Segments

Following is a brief discussion of each of our four business segments, including a list of key factors that have affected, and are expected to continue to affect, their respective earnings and cash flows. We also present a brief

3

Table of Contents

discussion of our corporate-level expenses along with a summary of our current liquidity position and items that could impact our liquidity position in fiscal year 2006 and beyond. This Overview section is merely a summary and should be read together with the remainder of Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as the audited consolidated financial statements, including the notes thereto, and the other information included in the Company s Form 10-K/A for the fiscal year ended June 30, 2005.

SPACEHAB Flight Services generates revenue by providing space shuttle-based, turnkey services that include customer access to space via our family of pressurized modules and unpressurized pallet carriers; integration and operations support to logistics suppliers transporting their cargo aboard our carriers to and from the orbiting ISS; and/or integration and operations support to scientists and technologists responsible for experiments performed aboard module and pallet research platforms.

We also offer on a space-available basis for each mission, access to space onboard the space shuttle, Russian *Progress*, and European Space Agency ATV cargo vehicles under commercial contracts with non-NASA customers, including both government and private customers. Commercial contracts with non-NASA customers will continue to be established directly between SPACEHAB and its commercial customers.

During the space shuttle stand-down period, SFS is providing cargo shipment coordination services to NASA for all U.S. cargo shipped to the ISS via the Russian *Progress* space vehicle. These services are provided under contract to Lockheed Martin, the CMC contractor to NASA. We are also providing research access to space and on the ISS to JAXA through RSC-Energia, a major Russian aerospace enterprise. SPACEHAB contracted through V.J.F. Russian Consulting with RSC-Energia for construction of certain space research equipment, launch vehicle, and research space aboard the Russian *Progress* carrier when the originally-scheduled services on the space shuttle were suspended due to the *Columbia* tragedy.

The primary factors impacting our SFS earnings and cash flows are the number of space shuttle missions flown and the configuration of the cargo handling and research logistics required for each mission. Our revenues and earnings, if any, from each mission are dependent upon the space assets required in the cargo or research logistics configuration and the mission support services required to employ those assets. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business unit include:

- Congress funding for NASA and the allocation of that funding to ISS operations and space shuttle cargo missions
- The flight schedule of the U.S. Space Shuttle
- The role of international space research projects flying on future space shuttle and on Russian and European Space Agency missions
- The growth of space exploration programs within NASA and NASA s commitment to the Nation s Vision on Space Exploration regarding enhancement of the role of commercial enterprise in space exploration programs
- Our ability to control our capital expenditures, particularly those for spare or replacement parts for space assets

Astrotech Space Operations, Inc. revenue is generated from various fixed-price contracts with launch service providers in both the commercial and government markets. The services and facilities Astrotech provides to its customers support the final assembly, checkout, and countdown functions associated with preparing a spacecraft for launch. This preparation may include: the final assembly and checkout of the spacecraft, check-out and installation of the solid rocket motors, loading of the liquid propellants, encapsulation of the satellite in the launch vehicle payload fairings, and command and control of the spacecraft during pre-launch countdown.

The earnings and cash flows generated from our Astrotech operations are related to the number of commercial spacecraft launches, which reflects the growth in the satellite-based communication industries, and the requirement to replace aging satellites. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business include:

- Our ability to control our capital expenditures, which primarily are limited to maintenance and safety, environ-mental and reliability projects, and other costs through disciplined management and safe, efficient operations

Table of Contents

- The continuing limited availability of government-owned facilities at the major domestic launch sites that can offer compatible services, leading to an increase in government use of Astrotech services

SPACEHAB Government Services, Inc. revenue is generated by providing support to the Government in the areas of large-scale configuration and data management programs such as the ISS; specialized hardware design, development, and fabrication; low- to high-fidelity mockup design and construction; and safety and quality support services. This business unit offers a wide array of products and services in these varied fields. SGS is currently under contract to provide configuration management services within the Program Integration and Control (PI&C) contract of which ARES Corporation is the prime contractor.

Our earnings in SGS operations are dependent on our ability to continue to win contracts with NASA or other government entities through the competitive bidding process and our performance under those contracts in achieving performance bonuses. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for this business include:

- Continuation through 2008 of our PI&C contract with the ISS Program
- Our ability to maintain small business qualification under NASA contracting rules
- Our ability to control costs within our budget commitments

Space Media, Incorporated operates a retail store and internet store offering space-themed products and is engaged in space-related educational programs and other space-themed activities. Revenue and earnings in our retail operations are dependent upon general enthusiasm for the space exploration program, advertising and promotion, and competition.

Corporate and Other. Significant items impacting future earnings and cash flows include:

- The ultimate settlement of our claim against NASA for indemnification of our losses on the Space Shuttle *Columbia* mission and/or our Tort Claim
- Income taxes, with respect to which we currently only pay alternative minimum tax and minimal state income taxes; income taxes will also be impacted by our ability to realize our significant deferred tax assets, including loss carry forwards

Liquidity. As of September 30, 2005 we had cash on hand of $6.9 million of which $2.5 million is restricted. Our $5.0 million revolving credit facility had no outstanding borrowings as of September 30, 2005. Our ability to maintain sufficient liquidity in the future will depend on a number of factors including our ability to acquire future business, control our costs and manage capital expenditures, the return to flight of the space shuttle, and the continued activity in the commercial and governmental satellite launch industry.

We expect that our operating cash flows through fiscal year 2006 will be sufficient to satisfy our capital expenditures, debt maturities, interest expenses, and operating commitments. In February 2005 we entered into a new $5.0 million revolving credit facility, replacing our previous revolving credit facility. This new revolving credit facility is secured by our accounts receivable and is subject to various financial and other covenants, including a minimum tangible net worth covenant, a cash flow covenant, and a secured debt coverage covenant. The new revolving credit agreement provides access to previously restricted cash and short term investments and to advances secured by accounts receivable, enhancing the Company s liquidity.

Over the longer term we believe that the space shuttle s return to flight and the President s vision for space exploration will lead to increased activity and related cash flows from operations for our SFS business segment. We expect additions to our contract with Lockheed Martin for ISS configuration hardware and contract additions in our satellite processing business, reflecting increased activity in the space exploration and commercial satellite industries. However, there can be no assurance that the space shuttle will return to flight in the near term or that we will be able to win future contracts with NASA, other national space agencies, or commercial space enterprises, or to successfully exploit other business opportunities. Failure to achieve such events would have a material adverse effect on our financial condition and results of operations and could adversely affect our ability to redeem our subordinated convertible notes when they mature in October 2007 which we are currently in the process of exchanging for New Notes that would extend maturity of this debt to October 2010.

Table of Contents

Revenue

The Company s revenue for the three months ended September 30, 2005 and 2004 was generated primarily from the Lockheed Martin Cargo Mission Contract, and contracts with related commercial customers in the SFS segment; the PI&C contract in the SGS segment; and our contract with Lockheed Martin in the Astrotech segment and other commercial satellite providers. Revenue for SMI was immaterial for the three months ended September 30, 2005 and 2004. During the period, there were shuttle and satellite launch delays that affected planned revenue that is expected to materialize in the upcoming months in our Astrotech and SFS business units.

Our SFS business segment is supporting NASA s return-to-flight activities and is continuing operations in preparation for shuttle missions including STS-121, 116, and 118 (in order of their anticipated flight sequence). SFS is preparing a cargo carrier for STS-118, the External Stowage Platform 3 (ESP3) that will be deployed and permanently mounted to the ISS. For STS-121, we are scheduled to provide our non-deployable unpressurized carrier to NASA under our CMC subcontract with Lockheed Martin for transport of several critical ISS Orbital Replacement Unit (ORU) spares. Additionally, commencing in April 2004, SFS stopped subcontracting its module mission integration, operations and sustaining engineering technical support to Boeing. Most module mission tasks previously performed by Boeing personnel are now being performed by SFS personnel, and selected NASA cargo integration tasks on SPACEHAB module missions are now being performed by Lockheed Martin as a part of their CMC with NASA. This decision enables SFS to continue to provide services to NASA and is consistent with the direction of the ISS Program Office.

In January 2004 the Company initiated activity under the Japanese Experiment Thermal Incubator Service (JETIS) contract with the Mitsubishi Corporation, representing JAXA that was entered into in 2000 and originally scheduled to fly aboard SPACEHAB s RDM. Subsequent to the suspension of the space shuttle flights and destruction of SPACEHAB s RDM, the Company contracted for construction of certain space research equipment and for research space aboard the ISS and up to three Russian *Progress* cargo missions with V.J.F. Russian Consulting, representing RSC-Energia, a major Russian aerospace manufacturer and mission operator. The first experiment was successfully launched on the Russian *Progress* spacecraft on August 11, 2004.

During the three months ended September 30, 2005, deferred revenue increased by $0.2 million. This is as a result of us receiving cash or an increase in accounts receivable for contractual billings on contracts that we have not performed the work under as of the end of the current period. Management expects reductions in deferred revenue through the next twelve months which will result in revenue recognition on contracts for which the related cash was received in a prior period.

Costs of Revenue

SPACEHAB has several types of costs of revenue in its business segments. Costs of revenue for SFS include integration and operations expenses associated with the performance of two types of efforts: (i) sustaining engineering in support of all missions under a contract and (ii) mission specific support. Costs associated with the performance of the contracts using the percentage-of-completion method of revenue recognition are expensed as incurred. Costs associated with the cost-plus award and fixed-fee contracts are expensed as incurred by SGS. Other costs of revenue include depreciation expense and costs associated with the Astrotech payload processing facilities. Flight related insurance covering transportation of the SPACEHAB modules from SPACEHAB s payload processing facility to the space shuttle, in-flight insurance, and third-party liability insurance are also included in costs of revenue and are recorded as incurred. Selling, general and administrative and interest and other expenses are recognized when incurred.

We have estimated the useful lives of our space flight assets, which is a component of property and equipment, through June 30, 2016, based on current available space-related programs and activities which management expects will extend through 2016. The shuttle retirement could occur at an earlier date, which would accelerate the depreciation recognized upon revision of the estimated useful life.

Table of Contents

Non Recurring Recovery, RDM

On February 1, 2003 the RDM was lost in the STS-107 tragedy. The net book value of the RDM was $67.9 million, which, net of insurance proceeds of $17.7 million, was recognized as a loss in the third quarter of fiscal year 2004. The $8.0 million plus interest of $0.2 million paid by NASA as indemnification for our loss of the RDM is recognized as a recovery of previously recognized loss in the quarter ended September 30, 2004. At this time we do not plan to replace the RDM. SPACEHAB s SFS business segment has two additional modules and other flight assets available to support current NASA requirements. These modules and assets can also be used to support future NASA requirements. The shuttle is currently scheduled to return to flight no earlier than May 2006.

7

Table of Contents

RESULTS OF OPERATIONS

For the three months ended September 30, 2005 as compared to the three months ended September 30, 2004.

Revenue. Revenue decreased approximately 8% to $12.0 million as compared to $13.0 million for the three months ended September 30, 2005 and 2004, respectively (in millions).

	Three Months Ended September 30, 2005	2004	Dollar Change	Percent Change
SPACEHAB Flight Services	$ 8.5	$ 9.6	$ (1.1)	(11)%
Astrotech Space Operations	2.0	1.7	0.3	18%
SPACEHAB Government Services	1.3	1.5	(0.2)	(13)%
Space Media	0.2	0.2	0.0	0%
	$ 12.0	$ 13.0	$ (1.0)	(8)%

Revenue from the SFS business segment has been adversely affected by the temporary grounding of the shuttle fleet following technical concerns that resulted during the launch of the STS-114 mission in July 2005. This has caused planned fiscal year 2006 revenue to move out into fiscal year 2007 and beyond. Also, the JETIS program did not have any contract activities for the three months ended September 30, 2005, whereas, in the same period last year, the program had its first launch and subsequent on-orbit activities. The following summarizes the other significant items:

Decrease in revenue from External Stowage Platform 2 (ESP2) of $2.0 million due to the launch of STS-114 in July 2005

Decrease in revenue from the JETIS contract of $1.5 million due to the timing of the mission operations

Increase in revenue from STS-118 under the CMC with Lockheed Martin of $2.0 million that was initiated in the third quarter of fiscal year 2005

Increase in revenue from Concept Exploration and Refinement (CE&R) contract of $0.2 million that was started in the first quarter of fiscal year 2005 and completed in the first quarter of fiscal year 2006

Other contract revenue increase of $0.2 million

Revenue from our Astrotech business unit increased for the three months ended September 30, 2005 by $0.3 million as compared to the same three month period last fiscal year. This increase is attributable to Astrotech processing two missions within the three month period this fiscal year. For the same period last fiscal year, Astrotech completed two missions that had minimal revenue remaining in the period.

The decrease in revenue at the SGS business segment is primarily due to the delivery of the Intravehicular Activity (IVA) Handrails in the third quarter of fiscal year 2005. The following summarizes the significant items:

Revenue decrease of $0.1 million due to the delivery of the IVA Handrails in the second quarter of fiscal year 2005

Revenue decrease of $0.1 million for the PI&C contract due to less contract activity for the three months ended September 30, 2005 as compared to the same period in last fiscal year

Cost of Revenue. Cost of revenue for the three months ended September 30, 2005 decreased by 6% to approximately $10.2 million, as compared to $10.8 million for the prior year s quarter (in millions).

	Three Months Ended September 30,			
	2005	2004	Dollar Change	Percent Change
SPACEHAB Flight Services	$ 7.0	$ 7.6	$ 0.6	8%
Astrotech Space Operations	2.0	1.9	(0.1)	(5)%
SPACEHAB Government Services	1.1	1.2	0.1	8%
Space Media	0.1	0.1		0%
	$ 10.2	$ 10.8	$ 0.6	6%

8

Table of Contents

Cost of revenue from the SFS business segment has been affected by the temporary grounding of the shuttle fleet due to the foam problem that occurred during the launch of STS-114 in July 2005. This has caused project work to be delayed until later periods. Also, the JETIS program did not have any contract activities for the three months ended September 30, 2005, whereas, in the same period last year, the program had its first launch and subsequent on-orbit activities. The following summarizes the significant items:

- Decrease in cost of revenue of $1.5 million for ESP2 due to the launch of STS-114 in July 2005
- Decrease in cost of revenue of $0.7 million for JETIS due to the launch of the first launch and the subsequent on-orbit operations in the three month period ended September 30, 2004 and no contract activities in the three months period ended September 30, 2005
- Increase in CE&R cost of revenue of $0.2 million
- Increase in STS-118 mission cost of revenue of $0.9 million due to the project being initiated in the third quarter of fiscal year 2005
- Increase in STS-121 and STS-116 cost of revenue of $0.3 million due to the missions getting closer to their launch windows
- Increased rent expense of $0.1 million due to the sale and subsequent lease-back of the SPACEHAB Payload Processing Facility during the fourth quarter of fiscal year 2005

Cost of revenue from our Astrotech business unit increased for the three months ended September 30, 2005 by $0.1 million as compared to the same three month period last fiscal year. This increase is attributable to Astrotech processing two missions for the current three month period which resulted in higher mission related costs of approximately $0.1 million which resulted in an increase in mission specific expenses and higher fiscal costs. For the same period last fiscal year, Astrotech completed two missions that began in the previous three month period with minimal facility occupancy in the period.

The decrease in costs of revenue of $0.1 million in the SGS business segment is primarily due to the delivery of the IVA Handrails in the third quarter of fiscal year 2005.

Operating Expenses. Operating expenses increased to $2.3 million for the three months ended September 30, 2005 as compared to approximately $2.0 million, excluding the recovery of $8.2 million for the loss of the RDM, for the three months ended September 30, 2004. Operating expenses were higher in the quarter ended September 30, 2005 compared to last year s quarter due primarily to an increase in professional and consulting services and in research and development and related costs. Research and development expenses were higher for the three months ended September 30, 2005 as compared to the same quarter last fiscal year due to increased efforts on the Apex Project. In the three months ended September 30, 2005, the Company recognized legal expenses of $0.1 million relating to its claims against NASA for loss of the RDM and response to Lloyd s of London (Lloyd s) complaint regarding its payment of insurance proceeds on the accident.

Income Taxes. Based on the Company s projected effective tax rate for fiscal year 2006 and 2005, we recorded minimal tax expense for the three months ended September 30, 2005 and for the three months ended September 30, 2004 respectively.

Net Income (Loss). Net loss for the three months ended September 30, 2005 was approximately $1.9 million or $0.15 per share basic and diluted on 12,671,576 shares as compared to net income of approximately $7.0 million or $0.55 per share basic and $0.49 per share diluted on 12,574,224 and 14,247,860 shares, respectively, for the three months ended September 30, 2004.

Liquidity and Capital Resources

Historically, the Company obtained operating and capital investment funds from the proceeds of its initial public offering of common stock and an offering of Series B Senior Convertible Preferred Stock. We also completed a private placement offering of convertible subordinated notes to support capital investments required for development and construction of space flight assets.

Table of Contents

Our primary source of liquidity is cash flow from operations. The principal uses of cash flow that affect our liquidity position include both operational expenditures and debt service payments. Management is focused on increasing cash flow and on managing cash effectively through limiting cash investments in long-term assets.

On February 11, 2005 we entered into a revolving credit facility with a new financial institution providing for loans up to $5.0 million secured by the Company s accounts receivable. This new credit facility replaced the Company s previous $5.0 million credit facility which terminated in January 2005. Funds available under the new revolving credit facility are limited to 80% of eligible accounts receivable, and we are subject to various financial and other covenants including a minimum tangible net worth covenant, a cash flow coverage covenant, and limitation of future secured debt relative to tangible net worth. As of September 30, 2005 we amended this credit facility to modify the cash flow covenant so that the Company may secure advances with cash balances if the required cash flow ratio is not met. As of September 30, 2005 there was $5.0 million available under this credit facility and restricted cash of $2.0 million.

Cash Flows From Operating Activities. Cash provided by (used in) operations for the three months ended September 30, 2005 and 2004 was $0.2 million and $(1.9 million), respectively. The significant items affecting the differences in cash flows from operating activities for the three months ended September 30, 2005 as compared to the three months ended September 30, 2004 are discussed below:

Net loss for the three months ended September 30, 2005 was $1.9 million as compared to net income for the three months ended September 30, 2004 of $7.0 million. Included in net income for the three months ended September 30, 2004 is $8.2 million recognized as recovery of a previously reported loss on the RDM

For the three months ended September 30, 2005, changes in assets provided cash from operations of $0.9 million primarily from a decrease in accounts receivable. For the three months ended September 30, 2004 change in assets consumed cash from operations of $5.9 million. This change is due primarily to the recording of the NASA claim settlement of $8.2 million, which was partially offset by the decrease in accounts receivable at Astrotech due to the anticipated downtime during the period and decrease in deferred mission costs due to the launch for the JETIS project

Changes in liabilities for the three months ended September 30, 2005 used cash from operations of $0.1 million. This change is due primarily to the decreases in accounts payable and accrued expenses of $0.3 million and the increase in deferred revenue of $0.2 million. The increase in deferred revenue is primarily due to the signing of the NASA Indefinite Delivery Indefinite Quantity (IDIQ) contract at Astrotech for future satellite missions. For the three months ended September 30, 2004 changes in liabilities consumed cash from operations of $4.3 million. This change in liabilities is primarily due to the decrease in accounts payable and accrued expenses of $1.3 million and the decrease in deferred revenue of $3.0 million. The decrease in deferred revenue is due to the first launch of the JETIS contract during the three months ended September 30, 2004

Cash Flows From Investing Activities. For the three months ended September 30, 2005 and 2004, cash flows provided by (used in) investing activities were $(2.2 million) and $0.7 million, respectively. The significant items affecting the differences in cash flows from investing activities for the three months ended September 30 2005 as compared to the three months ended September 30, 2004 are discussed below:

There were purchases of property and equipment of $0.6 million for the three months ended September 30, 2005 as compared to $0.1 million for the three months ended September 30, 2004

For the three months ended September 30, 2004, cash flows from investing activities were primarily generated from the sale of short-term investments of $1.0 million as compared to no sales for the period ended September 30, 2005

This change in cash flows was offset by an increase in restricted cash of $1.6 million as compared to an increase in restricted cash of $0.1 million for the three months ended September 30, 2004

Cash Flows From Financing Activities. For the three months ended September 30, 2005 and 2004, cash flows provided by (used in) financing activities were $(1.0 million) and $0.6 million, respectively. The significant items affecting the differences in cash flows from financing activities for the three months ended September 30, 2005 as compared to the three months ended September 30, 2004 are discussed below:

For the three months ended September 30, 2004, we had net borrowings of $1.0 million under the revolving credit facility as compared to no net borrowings for the three months ended September 30, 2005

Table of Contents

For the three months ended September 30, 2005 we incurred $0.5 million of financing costs related to the offer to exchange our convertible subordinated notes

On March 25, 2003 the Board of Directors authorized the Company to repurchase up to $1.0 million of the Company s outstanding common stock at market prices. Any purchases under our stock repurchase program may be made from time to time, in the open market, through block trades or otherwise in accordance with applicable regulations of the SEC. As of September 30, 2005, we had repurchased 116,100 shares at a cost of $117,320 under the program. We will continue to evaluate the stock repurchase program and the funds authorized for the program, which represents an average cost of $1.01 per share. This stock repurchase program remains available for purchases of the Company s stock.

The Company had capital expenditures during the period relating primarily to facility modifications and enhancements. Additionally, we had capital expenditures for replacement components for our modules. These expenditures are not expected to continue or be significant going forward. The Company expects to have additional capital expenditures relating to modifications for our Astrotech facilities which are specific requirements of our NASA IDIQ contract and compensated by NASA through the contract.

Management continues to focus its efforts on improving the overall liquidity of the Company through identifying new business opportunities within the areas of our core competencies, reducing operating expenses, and limiting cash commitments for future capital investments and new asset development. Additionally, management continues to evaluate operating expenses in an effort to reduce or eliminate costs not required to effectively operate the Company.

The Company s cash was approximately $6.9 million as of September 30, 2005 including restricted cash of $2.5 million. Management believes that we have sufficient liquidity, including cash and short-term investments, advances available under our revolving credit facility, and cash anticipated or expected to be generated from operations to fund ongoing operations beyond the remainder of this fiscal year. We also expect to utilize existing cash, cash anticipated from future operations to support strategies for new business initiatives and reduce long-term debt.

The Company s contractual obligations as of September 30, 2005 are as follows (in thousands):

Contractual Obligations	**At September 30, 2005**	**Remaining in Fiscal Year 2006**	**Fiscal Year 2007**	**Fiscal Year 2008**	**Fiscal Year 2009**	**Fiscal Year 2010**	**Thereafter**
Long-term Debt	$ 63,250	$	$	$ 63,250	$	$	$
Mortgage Loan Payable	3,188	1,553	1,635				
V.J.F. Russian Consultant Agreement	120	120					
V.J.F. Russian Subcontract	370	370					
Operating leases[1]	26,472	5,118	5,258	5,158	5,046	928	4,964
Total Contractual Cash Obligations[2] (excluding interest payments)	$ 93,400	$ 7,161	$ 6,893	$ 68,408	$ 5,046	$ 928	$ 4,964

1 -For the remainder of fiscal year 2006, the Company expects to receive net payments of $0.6 million for subleases. For fiscal years 2007, 2008, and 2009, the Company expects to receive net payments of approximately $0.6 million, $0.4 million, and $0.1 million, respectively, for subleases.

2 -Does not include commitment to Dayna Justiz for compensation that can be earned as a result of the agreement dated June 19, 2000. The agreement states that Dayna Justiz can earn up to $375,000 as additional compensation if she meets certain financial goals in the management of The Space Store. The yearly amount is equal to five percent of The Space Store s net after-tax operating income during

each fiscal year until such time an aggregate amount of $375,000 has been earned. At this time, we have not recorded a liability for this obligation due to the uncertainty of the obligation being met.

Table of Contents

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibit No.	Description
3	**Articles of Incorporation and Bylaws**
3.1	Amended and Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant s Registration Statement on Form S-3 (File No. 333-43221) filed with the Securities and Exchange Commission on December 24, 1997)
3.2	Designation of Rights, Terms and Preferences of Series A Junior Preferred Stock of the Registrant (incorporated by reference to Exhibit 2 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 1999)
3.3	Designation of Rights, Terms and Preferences of Series B Senior Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 4.1 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
3.4	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant s Registration Statement on Form S-3 (File No. 333-43221) filed with the Securities and Exchange Commission on December 24, 1997)
4	**Instruments Defining the Rights of Security Holders, including Indentures**
4.1	Designation of Rights, Terms and Preferences of Series B Senior Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 4.1 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
4.2	Preferred Stock Purchase Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 2, 1999 (incorporated by reference to Exhibit 4.2 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
4.3	Registration Rights Agreement between the Registrant and DaimlerChrysler Aerospace AG dated as of August 5, 1999 (incorporated by reference to Exhibit 4.3 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 1999)
4.4	Rights Agreement, dated as of March 26, 1999, between the Registrant and American Stock Transfer & Trust Company, including the Designation of Rights, Terms and Preferences of Series A Junior Preferred Stock attached thereto as Exhibit A, the form of Rights Certificate attached thereto as Exhibit B and the Summary of Rights attached thereto as Exhibit C (incorporated by reference to Exhibit 2 of the Registrant s Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 1999)
4.5	Indenture dated as of October 15, 1997 between the Registrant and First Union National Bank, as Trustee, relating to the Registrant s 8% Convertible Subordinated Notes due 2007 (incorporated by reference to Exhibit 4.1 of the Registrant s Registration Statement on Form S-3 (File No. 333-43221) filed with the Securities and Exchange Commission on December 24, 1997)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32	Certification pursuant to Rule 13a-14(b) of the Securities and Exchange Act of 1934.

Table of Contents

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 thereunto duly authorized.

SPACEHAB, INCORPORATED

Date: January 5, 2006

/s/ Michael E. Kearney

Michael E. Kearney
President and Chief Executive Officer

/s/ Brian K. Harrington

Brian K. Harrington
Senior Vice President and

Chief Financial Officer

13