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HYDRON TECHNOLOGIES INC

Form 10-Q

May 13, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended: March 31, 2003 or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Period from _____ to _____

Commission File Number: 0-6333

HYDRON TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

New York

13-1574215

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification)

2201 West Sample Road, Building 9, Suite 7B
Pompano Beach, FL 33073

(954) 861-6400

(Address of Principal Executive Offices)

(Registrant's 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 No.

Number of shares of common stock outstanding as of April 30, 2003: 7,110,336

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HYDRON TECHNOLOGIES, INC.

Condensed Balance Sheets

| | March 31, 2003 (Unaudited) | December 31, 2002 (Note) |
|---|-------------------------------|-----------------------------|
| | ----- | ----- |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 172,011 | \$ 291,136 |
| Trade accounts receivable | 4,858 | 40,000 |
| Inventories | 725,521 | 742,529 |
| Prepaid expenses and other current assets | 28,131 | 40,007 |
| | ----- | ----- |
| Total current assets | 930,521 | 1,113,672 |
| Property and equipment, less accumulated depreciation of \$554,829 and \$552,459 at 2003 and 2002, respectively | | |
| | 12,916 | 9,448 |
| Deposits | 20,816 | 20,816 |
| Deferred product costs, less accumulated amortization of \$5,364,662 and \$5,317,262 at 2003 and 2002, respectively | 283,693 | 324,613 |
| | ----- | ----- |
| Total Assets | \$ 1,247,946 | \$ 1,468,549 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 79,185 | \$ 133,983 |
| Deferred revenues | 123,042 | 96,390 |
| Accrued liabilities | 365,824 | 350,570 |

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| | | |
|--|--------------|--------------|
| Total current liabilities | 568,051 | 580,943 |
| Commitments and contingencies | -- | -- |
| Shareholders' equity | | |
| Preferred stock - \$.01 par value | | |
| 5,000,000 shares authorized; no shares issued | | |
| or outstanding | -- | -- |
| Common stock - \$.01 par value | | |
| 30,000,000 shares authorized; 7,110,336 shares | | |
| issued; and 7,050,136 shares outstanding | | |
| at 2003 and 2002, respectively | 71,103 | 71,103 |
| Additional paid-in capital | 19,890,587 | 19,890,587 |
| Accumulated deficit | (18,842,637) | (18,634,926) |
| Treasury stock, at cost; 60,200 shares | (439,158) | (439,158) |
| Total Shareholders' equity | 679,895 | 887,606 |
| Total liabilities and shareholders equity | \$ 1,247,946 | \$ 1,468,549 |

Note: The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed financial statements

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HYDRON TECHNOLOGIES, INC.

Condensed Statement of Operations
(Unaudited)

| | Three months ended March 31, | |
|-----------------------------------|------------------------------|------------|
| | 2003 | 2002 |
| Net Sales | \$ 276,662 | \$ 380,257 |
| Cost of sales | 65,574 | 85,581 |
| Gross profits | 211,088 | 294,676 |
| Expenses | | |
| Royalty expense | -- | 19,086 |
| Research and development | 17,179 | 17,877 |
| Selling, general & administration | 352,238 | 377,469 |
| Depreciation & amortization | 49,770 | 75,000 |
| Total expenses | 419,188 | 489,432 |
| Operating loss | (208,100) | (194,756) |
| Interest income | 388 | 297 |

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| | | |
|---|---------------------|---------------------|
| Loss before income taxes | (207,712) | (194,459) |
| Income taxes expense | -- | -- |
| Net loss | <u>\$ (207,712)</u> | <u>\$ (194,459)</u> |
| Basic and diluted loss per share | | |
| Net loss per common share | <u>\$ (0.03)</u> | <u>\$ (0.04)</u> |
| Weighted average shares outstanding (basic and diluted) | 7,050,136 | 4,975,136 |

See notes to condensed financial statements.

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HYDRON TECHNOLOGIES, INC.

Condensed Statements of Cash Flow
(Unaudited)

| | Three Months ended | |
|---|--------------------|--------------|
| | 2003 | 2002 |
| Operating Activities | | |
| Net Loss | \$ (207,712) | \$ (194,459) |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 49,770 | 75,000 |
| Change in operating assets and liabilities | | |
| Trade accounts receivables | 35,142 | 15,960 |
| Inventories | 17,008 | 49,720 |
| Prepaid expenses and other current assets | 11,877 | 20,073 |
| Deposits | -- | (187) |
| Accounts payable | (54,798) | 62,040 |
| Deferred revenues | 26,652 | (7,535) |
| Accrued liabilities | 15,254 | (16,601) |
| Net cash provided (used) by operating activities | (106,807) | 4,011 |
| Investing activities | | |
| Capital Expenditures, net | (5,838) | -- |
| Deferred product costs | (6,480) | -- |
| Net cash provided (used) by investing activities | (12,318) | -- |
| Financing activities | | |
| Net cash provided (used) by financing activities | -- | -- |
| Net increase (decrease) in cash and cash equivalents | (119,125) | 4,011 |
| Cash and cash equivalents at beginning of period | 291,136 | 167,067 |

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| | | |
|--|------------|------------|
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 172,011 | \$ 171,078 |
| | ===== | ===== |

See notes to condensed financial statements.

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Hydron Technologies, Inc.
Notes to Condensed Financial Statements
(unaudited)

Note A - Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Hydron Technologies, Inc. (the "Company"), all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Note B - Inventories

Inventories consist of the following:

| | March 31, 2003 | December 31, 2002 |
|------------------------------|-------------------|----------------------|
| | ----- | ----- |
| Finished Goods | \$ 184,330 | \$ 208,748 |
| Raw materials and components | 541,191 | 533,781 |
| | ----- | ----- |
| | \$ 725,521 | \$ 742,529 |
| | ===== | ===== |

Note C - Distribution

The majority of the Company's products are currently sold in the United States through Hydron(TM) direct marketing channels (proprietary Catalog and the World Wide Web site). The Company also sells its products to private label customers, television retailers and, to a lesser extent, internationally through salons and doctors offices.

Note D - Earnings Per Share

Options and warrants to purchase 2,036,100 shares of common stock were outstanding at March 31, 2003, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive.

The Board of Directors has approved the issuance of an additional 378,500 options; subject to the approval of a stock option plan amendment at the

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next shareholders' meeting. These options have not been reflected in March 31, 2003 calculations since there are insufficient options available without the shareholders actions.

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Hydron Technologies, Inc. Notes to Condensed Financial Statements (unaudited)

Note E - Stock Options and Warrants

There were no options granted during the three months ended March 31, 2003 and the pro forma information regarding net income and earnings per share required by FASB Statement No. 123 is unchanged from that reflected in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Note F - Going Concern

The accompanying condensed financial statements were prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of operations. The Company's ultimate ability to attain profitable operations is dependent upon obtaining additional financing or to achieve a level of sales adequate to support its cost structure.

Accordingly, there are no assurances that the Company will be successful in achieving the above plans, or that such plans, if consummated, will enable the Company to obtain profitable operations or continue as a going concern

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

Application of Critical Accounting Policies and Estimates

The preparation of financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, investments, intangible assets, income taxes, restructuring, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies are significant in preparation of our financial statements.

Revenue Recognition

Hydron(TM) records product sales when persuasive evidence of an arrangement exists, shipment has occurred, the price to the buyer is fixed or determinable and collectibility is reasonably assured. A provision is made at

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the time sales are recognized for the estimated cost of product warranties.

Allowance for Doubtful Accounts

A majority of Hydron(TM) products (50% - 90%) are sold on a COD basis. Product sold on account is limited. Hydron(TM) generally computes an allowance for doubtful accounts by specifically reserving for customers known to be in financial difficulty. Therefore, if the financial condition of our customers were to deteriorate, we may have to increase our allowance for doubtful accounts. This would reduce our earnings and our cash flows.

Inventory Valuation

Hydron(TM) initially values inventory at actual cost to purchase and/or manufacture inventory. We periodically review these values to ascertain that the inventory continues to maintain a market value that is in excess of its recorded cost. Generally, reductions in value of inventory below cost are caused by our maintenance of stocks of products in excess of demand. We regularly review inventory quantities on hand and, where necessary, record provisions for excess and obsolete inventory based on either our estimated forecast of products demand and production requirement or historical trailing usage of the product. If our sales do not materialize as planned or at historic levels, we may have to increase our reserve for excess and obsolete inventory. This would reduce our earnings and cash flows.

Long-Lived Assets

Hydron(TM) reviews long-lived assets and certain identifiable intangibles held and used for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating the fair value and future benefits of its intangible

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

Application of Critical Accounting Policies and Estimates (continued)

assets, management performs an analysis of the anticipated undiscounted future net cash flows of the individual assets over the remaining amortization period. Hydron(TM) recognizes an impairment loss if the carrying value of the asset exceeds the expected future cash flows. As of March 31, 2003 there was no deemed impairment of long-lived assets.

Property and Equipment

Property and equipment, consisting primarily of furniture and equipment, is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from four to six years.

Stock-based Compensation

The disclosure provision of Statement No. 148 have been adopted by the Company with appropriate disclosure identified above.

Business

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Hydron Technologies, Inc. markets a broad range of consumer and oral health care products using a moisture-attracting ingredient (the "Hydron(R) polymer"), and owns a non-prescription drug delivery system for topically applied pharmaceuticals, which uses such polymer. The Company holds U.S. and international patents on, what Management believes is, the only known cosmetically acceptable method to suspend the Hydron polymer in a stable emulsion for use in personal care/cosmetic products. The Company is developing other personal care/cosmetic products for consumers using its patented technology and would, when appropriate, either seek licensing arrangements with third parties, or develop and market proprietary products through its own efforts. Management believes that because of their unique properties, products

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

Business (continued)

that utilize the Hydron polymer have the potential for wide acceptance in consumer and professional health care markets.

The Company has been engaged in the development of various consumer products using Hydron(TM) polymers since 1986. The Company's products are designed to address concerns about aging, and include Hydron(TM) skincare, hair care, bath and body and sun care. The Company currently has thirty-nine individual products available in the following product lines: skin care (22 products), hair care (7 products), bath and body (8 products) and sun care (2 products). These products are also packaged into collections and sold at a more favorable value than the individual products sold separately. All of the products are available through the Hydron(TM) Catalog and Web site www.hydron.com ("Catalog").

Management believes that the Company's product lines are unique and offer the following competitive benefits: the moisturizers self-adjust to match the skin's optimal pH balance soon after they are applied to the skin; they become water-insoluble on the skin's surface, and unlike all other water-based cremes and lotions, are not removed by the skin's perspiration or plain water; they are oxygen-permeable, allowing the skin to breathe; they do not emulsify the skin's natural moisturizing agents, as do conventional cremes and lotions; and they attract and hold water, creating a cushion of moisture on the skin's surface that promotes penetration of other beneficial product ingredients, all while leaving no greasy after-feel.

The Company's products are dermatologist tested and approved for all skin types. Products for use around the eye area are also ophthalmologist tested and safe for contact lens wearers. Most of the Company's moisturizing products are based on the Company's patented emulsion system, which permits the product ingredients to deliver their intended benefits over an extended period of time and in a more efficient manner.

Management believes that the Hydron(TM) emulsion system can enhance the effectiveness of topical over-the-counter medications. The emulsion system is designed to deposit a polymer film on the skin's surface which has a number of advantages over traditional lotions: promotes hydration of the outer layer of skin, improves penetration into the skin's pores, and has good tactility and flexibility. The Company expects to continue to focus research and development resources on proprietary technology-based products as determined by Management's assessment of consumer demand.

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The Company discovered that the Hydron(TM) emulsion system also adjusts pH on the skin to match the pH of the stratum corneum, the skin's surface layer. It is evident in recent skin research (Kligman 2002) that the pH range of the emulsion system is ideal for contributing to the skin's natural healing process and enzyme production responsible for rebuilding the skin's lipid barrier. A patent application was filed February 14, 2002 to cover this technology, which also applies to a new acne treatment system.

Since August 2000, the Company has been researching and developing a new technology that provides a method for the delivery of oxygen into the skin and tissue at depths considered medically therapeutic without the use of the bloodstream. The Company filed for patent protection as of February 2001. The

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

Business (continued)

patent application is pending. Management anticipates that as a result of its continuing research into tissue oxygenation, the Company's primary focus will begin to shift from personal care/cosmetic products to developing/licensing applications or products based upon this new technology.

This technology has far reaching implications in that oxygen can now be delivered into skin that does not receive sufficient oxygen from the bloodstream. Management believes that this approach to tissue oxygenation developed by Hydron(TM) is unique. It utilizes an existing technology that infuses liquid with oxygen at 20+ times normal levels to create a super-oxygenated liquid filled with micro-bubbles of highly pressurized oxygen. When placed in contact with the skin, the highly saturated fluid and micro-bubbles are transferred directly to the skin through osmosis and kinetic diffusion.

Research and development efforts to date have included clinical testing, in-vitro bacteriological testing, micro-bubble size analysis, packaging prototypes, and stability testing. Clinical testing on healthy subjects was conducted at the University of Massachusetts Medical School; Department of Thoracic Surgery producing an average increase in subcutaneous tissue oxygenation of 54% in healthy individuals. Management believes that these tests provided the first-ever evidence that subcutaneous tissue could be oxygenated from the outside in.

The skin treatment is expected to have numerous applications in wound healing and anti-aging skincare treatments. Current medical research shows that each year, in the United States alone, medical problems associated with oxygen deprivation to the skin and tissues can affect over 16 million diabetics, two million burn patients, 600,000 individuals with impaired circulatory systems and countless other applications, from individuals suffering with chronic wounds to extending the life of organs for transplant during transportation. Likewise, medical problems associated with anaerobic bacteria (i.e. organisms that thrive in the absence of oxygen) such as acne, diaper rash, post-operative infections and periodontal disease may be reduced or eliminated by application of this technology.

Oxygen is also an essential factor in aging as the facial skin loses about 40% of oxygen carrying capacity by age 65 (a factor in diminished collagen formulation and wrinkling). As a result, anti-aging/wrinkling applications of

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this technology may ultimately lead to a new line of skincare applications and products.

In July 2002, the Company reached an agreement for licensing existing machine technology from Life International Products, Inc. that included issuance of 325,000 shares of new Hydron(TM) stock and future royalty payments. This will allow Hydron(TM) to be able to manufacture future products under Hydron(TM)'s tissue oxygenation pending patent. The company plans additional efficacy testing to further evaluate the technology and future potential products. It is anticipated that efficacy testing will require an additional 12 to 24 months. Initial testing will be focused on cell viability and gene expression within oxygen-deprived tissues subsequently exposed to super-oxygenated saline solutions.

On December 10, 2002, Hydron(TM) completed a non-brokered private placement of 1,750,000 Units at \$.20 per Unit (\$350,000), to several accredited investors including its chairman, Richard Banakus and a director, Ronald J. Saul. Each Unit is comprised of one share of common stock and one three-year

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

Business (continued)

option to buy one additional common share at \$.20. The proceeds will be added to the Company's working capital and enable Hydron(TM) Technologies to maintain its catalog business, while supporting basic development of Hydron(TM)'s patent pending skin and tissue oxygenation technology and associated intellectual property.

The Company has also developed and currently markets a group of Hydron(TM) polymer-based products for dental professionals under the Hydrocryl(TM) brand name. These include a heat cured material used in the manufacture of dentures, as well as cold cure kits used in connection with the relining or repairing of existing Hydrocryl(TM) or conventional acrylic dentures that is necessitated by the continual changes that occur in the tissue structure of the mouth. Management believes that the hydrophilic, or moisture attracting properties, of these Hydron(TM) polymer-based products give them competitive advantages over conventional acrylic dentures and denture repair kits, which are not hydrophilic. Sales of Hydrocryl(TM) brand name products were minimal in 2002, 2001 and 2000.

Results of Operations

Net sales for the three months ended March 31, 2003 were \$276,662; a decrease of \$103,595, or 27%, from net sales of \$380,257 for the three months ended March 31, 2002. Catalog sales decreased by approximately \$61,197, or 18.3%, from \$333,600 for the three months ended March 31, 2002 to \$272,403 for the three months ended March 31, 2003. The decrease in direct marketing catalog sales resulted primarily from fewer promotional offers to existing customers, continued softness of the economy and consumers preoccupation with the war in the Middle East.

Non-catalog net sales, including television retail, contract sales and international, for the three months ended March 31, 2003 were \$4,258; a decrease of \$42,398, or 91%, from non-catalog net sales of \$46,656 for the three months

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ended March 31, 2002. The quarterly non-catalog sales decrease reflects a shift in the timing of sales to private label customers to the second quarter.

The Company's overall gross profit margin for the three months ended March 31, 2003 was 76%, as compared to 78% for the three months ended March 31, 2002. The decrease in gross profit margins for the first quarter reflects a shift in product mix.

Royalty expenses for the three months ended March 31, 2003 were \$0 compared to \$19,086 for the three months ended March 31, 2002. The elimination of royalty expenses is the result of an agreement in principle to eliminate the respective royalty obligations of the parties under the GPS Agreement between the Company and Hydro-Med as assignee of GPS.

R&D expenses for the three months ended March 31, 2003 were \$17,179; a decrease of \$698, or 4%, from R&D expenses of \$17,877 for the three months ended March 31, 2002. The amount of R&D expenses per year varies, depending on the nature of the development work during each year, as well as the number and type of products under development at such time.

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

Results of Operations (continued)

Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2003 were \$352,238; a decrease of \$25,231, or 7%, from SG&A expenses of \$377,469 for the three months ended March 31, 2002. The decrease was principally due to decreased sales commissions and professional expenses.

Interest and investment income for the three months ended March 31, 2003 was \$388, an increase of \$91, or 31%, from interest and investment income of \$297 for the three months ended March 31, 2002.

The net loss for the three months ended March 31, 2003 was \$207,712, an increase of \$13,253, or 7%, as compared to a net loss of \$194,459 for the three months ended March 31, 2002. The decrease in the net loss resulted primarily from the factors discussed above.

Liquidity and Financial Resources

The Company's working capital was approximately \$362,469 at March 31, 2003, including cash and cash equivalents of approximately \$172,011. Cash used by operating activities was \$106,807 and \$12,318 was invested in equipment and patents.

The Company has incurred significant losses over the past five years. The ability of the Company to continue as a going concern is dependent upon increasing sales while managing operating expenses.

Management's plan to increase sales and reduce operating expenses includes the following elements:

- o Licensing proprietary and possibly patentable technologies, including skin and tissue oxygenation and the acne ingredient delivery system, where appropriate to third party companies.

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- o Continued emphasis on Catalog sales, including sales made over the internet, since these sales have higher profit margins and represent markets for the Company that are growing more rapidly than the Company's traditional television market.
- o Increased use of direct marketing techniques to reach new and current consumers such as print promotions mailed to targeted consumers, Web site specials, promotions to other Web site customers, and direct E-mail promotions to new customers.
- o Addition of new revenue streams through expanded international distribution achieved through the use of distribution agreements with foreign and international distributors.
- o Development, acquisition and marketing of new product lines based on proprietary technologies that appeal to the aging baby boomers as well as the new generation.

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

Liquidity and Financial Resources (continued)

- o In addition, the Company has plans to build upon its success in private label sales utilizing Hydron(TM) polymer based formulas. The Company is also pursuing international distribution agreements that will expand the Company's distribution around the world.
- o Regarding new products and markets, the Company will continue to develop proprietary technology that it believes will improve its long-term success in the skin care business, such as the acne ingredient delivery system. The Company's Super Oxygenated fluid and composition technology should allow significant advances in skin care products and open application and licensing opportunities beyond the skin care category.
- o The Company does not have the financial resources to sustain a national advertising campaign to support distribution of its products in conventional retail stores. In view of the foregoing, Management's strategy has been to enter into marketing, licensing and distribution agreements with third parties which have greater financial resources than those of the Company and that can enhance the Company's product introductions with appropriate national marketing support programs.

There can be no assurances that Management's Plan will be successful and the Company's actual results could differ materially. No estimate has been made should Management's plan be unsuccessful.

Cautionary Statement Regarding Forward Looking Statements

Certain statements contained in this Report on Form 10-Q are 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 statements regarding the Company's expectations, hopes, intentions, beliefs or strategies regarding the future. Forward looking statements include the

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Company's liquidity, anticipated cash needs and availability, and the anticipated expense levels under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." All forward looking statements included in this document are based on information available to the Company on the date of this Report, and the Company assumes no obligation to update any such forward looking statement. It is important to note the Company's actual results could differ materially from those expressed or implied in such forward looking statements. You should also consult the Company's Annual Report on Form 10-K for the year ended December 31, 2002 as well as those factors listed from time to time in the Company's other reports filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and the Securities Act of 1933.

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Item 4. Controls and Procedures

Within the 90-day period prior to the date of this report, Hydron Technologies, Inc. carried out an evaluation, under the supervision and with the participation of management, including its Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of Hydron Technologies, Inc.'s disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Operating Officer and Chief Financial Officer concluded that Hydron Technologies, Inc.'s disclosure controls and procedures are effective to timely alert them to material information required to be included in Hydron Technologies, Inc.'s Exchange Act filing.

There have been no significant changes in Hydron Technologies, Inc.'s internal controls or in other factors that could significantly affect internal controls subsequent to the date that Hydron Technologies, Inc. carried out its evaluation.

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Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

Current Reports on Form 8-K

-Current Report on Form 8-K, dated January 2, 2003 reporting Item 5. Other Events; Non-brokered private placement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HYDRON TECHNOLOGIES, INC.

By: /s/ WILLIAM A. FAGOT

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William A. Fagot
Chief Financial Officer

Dated: May 12, 2003

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Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and
Item 307 of Regulation S-K

I, Richard Banakus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydron Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (April, 2003); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls;
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ RICHARD BANAKUS

Richard Banakus
Chief Executive Officer

May 1, 2003

17

Certification of Chief Operating Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and
Item 307 of Regulation S-K

I, Terrence S. McGrath, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydron Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (April, 2003); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based

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on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

- a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls;
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ TERRENCE S. MCGRATH

Terrence S. McGrath
Chief Operating Officer

May 9, 2003

18

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and
Item 307 of Regulation S-K

I, William A. Fagot, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hydron Technologies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us

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- by others within those entities, particularly during the period in which this quarterly report is being prepare;
- b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (April, 2003); and
 - c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
- a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls;
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ WILLIAM A. FAGOT

William A. Fagot
Chief Financial Officer

May 9, 2003