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HYDRON TECHNOLOGIES INC
Form 10-Q
November 13, 2001

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: September 30, 2001

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

(State or other jurisdiction of
incorporation or organization)

13-1574215

(I.R.S. Employer Identification Number)

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

(Address of Principal Executive Offices)

(954) 861-6400

(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. X Yes _ No.

Number of shares of common stock outstanding as of October 31, 2001: 4,975,136

HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

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Condensed consolidated balance sheets-- September 30, 2001 and December 31, 2000

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Condensed consolidated statements of operations -- Three months ended September 30, 2001 and 2000; nine months ended September 30, 2001 and 2000

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2001 (Unaudited)	December 31, 2000 (Note)
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 174,063	\$ 190,946
Trade accounts receivable	95,745	136,306
Inventories	1,399,945	1,489,396
Prepaid expenses and other current assets	28,776	39,619
	-----	-----
Total current assets	1,698,529	1,856,267
Property and equipment, less accumulated depreciation of \$546,230 and \$931,232 at 2001 and 2000, respectively		
	36,463	111,002
Deposits	38,697	60,403
Deferred product costs, less accumulated amortization of \$5,410,502 and \$5,194,952 at 2001 and 2000, respectively	557,293	772,843
	-----	-----
Total Assets	\$ 2,330,982	\$ 2,800,515
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 89,680	\$ 194,791
Customer Deposits	209,618	--
Accrued liabilities	481,163	464,084
	-----	-----
Total current liabilities	780,461	658,875
Commitments and contingencies	--	--

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Shareholders' equity		
Common stock - \$.01 par value		
30,000,000 shares authorized; 5,035,336 shares issued; and 4,975,136 shares outstanding	50,353	50,353
Preferred Stock - \$.01 par value		
5,000,000 shares authorized; no shares issued or outstanding	--	--
Additional paid-in capital	19,501,837	19,501,837
Accumulated deficit	(17,562,511)	(16,971,392)
Treasury stock, at cost; 60,200 shares	(439,158)	(439,158)
	-----	-----
Total Shareholders' equity	1,550,521	2,141,640
	-----	-----
Total liabilities and shareholders' equity	\$ 2,330,982	\$ 2,800,515
	=====	=====

Note: The balance sheet at December 31, 2000 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 notes to condensed consolidated financial statements.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Operations (Unaudited)

	Three months ended September 30, 2001	2000	Nine months ended Sep 2001	
	-----	-----	-----	
Net Sales	\$ 507,293	\$ 375,063	\$ 1,354,143	\$
Cost of sales	214,039	112,260	412,079	
	-----	-----	-----	
Gross profits	293,254	262,803	942,064	
Expenses				
Royalty expense	18,059	16,986	61,118	
Research and development	41,924	18,259	82,067	
Selling, general & administration	374,429	491,990	1,099,498	
Depreciation & amortization	99,600	111,300	298,800	
	-----	-----	-----	
Total expenses	534,012	638,535	1,541,483	
	-----	-----	-----	
Operating loss	(240,758)	(375,732)	(599,419)	
Interest income	3,744	4,540	8,299	
	-----	-----	-----	
Loss before income taxes	(237,014)	(371,192)	(591,120)	
Income taxes expense	--	--	--	
	-----	-----	-----	
Net loss	\$ (237,014)	\$ (371,192)	\$ (591,120)	\$
	=====	=====	=====	

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Basic and diluted loss per share				
Net loss per common share	\$ (0.05)	\$ (0.07)	\$ (0.12)	\$
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flow
(Unaudited)

	Nine months ended September 30,	
	2001	2000
	-----	-----
Operating Activities		
Net Loss	\$ (591,120)	\$ (798,376)
Adjustments to reconcile net loss to		
Net Cash used by operating activities		
Depreciation and amortization	298,800	333,900
Change in operating assets and liabilities		
Trade accounts receivables	40,561	(57,749)
Inventories	89,451	(74,599)
Prepaid expenses and other current assets	10,843	49,652
Deposits	21,706	118,241
Accounts payable	(105,110)	(6,436)
Customer deposits	209,618	--
Accrued liabilities	17,079	2,233
	-----	-----
Net cash provided (used) by operating activities	(8,172)	(433,134)
Investing activities		
Capital expenditures, net	(8,711)	(537)
Proceeds from liquidation of joint venture	--	62,721
	-----	-----
Net cash provided (used) by investing activities	(8,711)	62,184
	-----	-----
Net increase (decrease) in cash and cash equivalents	(16,883)	(370,950)
Cash and cash equivalents at beginning of period	190,946	653,916
	-----	-----
Cash and cash equivalents at end of period	\$ 174,063	\$ 282,966
	=====	=====

See notes to condensed consolidated financial statements.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

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Note A -- Basis of Presentation

The accompanying unaudited condensed consolidated 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 and nine month periods ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Note B - Inventories

Inventories consist of the following:

	September 30, 2001	December 31, 2000
	-----	-----
Finished goods	\$ 804,200	\$ 869,082
Raw material and components	595,745	620,314
	-----	-----
	\$ 1,399,945	\$ 1,489,396

Note C - Distribution

- Catalog Sales

In November 1996, Hydron Technologies, Inc. (the Company) opened a new channel of distribution for Hydron products with the launch of its proprietary Catalog. The Catalog provides information on new Hydron products, educates consumers on proper skin and hair care and facilitates re-ordering. The orders are taken by phone, mail and through the Company's redesigned Hydron website (www.hydron.com).

- Direct Response Television

Effective September 1, 1999, the Company entered into a 24-month marketing and distribution agreement (the "Home Shopping Agreement") with HSN that grants HSN an exclusive worldwide license to market and distribute certain of the Company's proprietary consumer products through various forms of electronic retailing. The Home Shopping Agreement also granted HSN a non-exclusive license to market Hydron products through all other methods of distribution in certain countries outside the United States.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note C - Distribution (Continued)

The Company launched its products on HSN's primary domestic television network on September 16, 1999. Hydron products were featured in "Hydron Skin Care Solutions" hours during only 7 of the first 12 months of the 24-month Home

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Shopping Agreement. In November 2000, during the second twelve months of the Home Shopping Agreement, the Company began marketing on HSE (Home Shopping Espanol), the Spanish language subsidiary of HSN. Hydron amended the HSN agreement with a two-year commitment with HSE to air Hydron products through Latin programming in the United States and internationally.

HSN had not met its significant purchase commitments and consequently the HSN Agreement expired in September 2001. Management is considering remedies, legal and otherwise, to offset HSN's purchase shortfall. The purchase shortfall by HSN has had a material adverse effect on the Company's business over the last two years. Sales through HSN were 7% and 31% of the Company sales during the nine months ended September 30, 2001 and 2000, respectively. Management is confident that there are other avenues for selling its products now that the exclusive HSN contract has ended.

The Company continues to sell certain products to QVC, on a non-exclusive basis, so that QVC can resell these products to their customers who had previously purchased the products and wish to re-order. Hydron was featured on QVC from 1993 through May 1999.

- Private Label Contracting

In March 2001 the Company signed a contract with a U.S. corporation to provide exclusive skin care products based on Hydron's patented formula technology. The first shipment was August 2001. The product launch included, facial moisturizers, skin treatment products and related prestige quality formulas. The contract has escalating minimums over three years to maintain exclusivity.

- International

The majority of the Company's products are currently sold in the United States. The Company entered an agreement in 1995 with an Australian-based health and beauty products distributor, Doctors Formula Pty. Ltd., to market Hydron products in retail salon stores and medical offices in Australia and New Zealand. The Company entered into a distribution agreement with a distributor in Taiwan in April 2001. The first shipment to Taiwan was in May. The Company also distributes dental products into Spain and, to a lesser extent, other countries. Although this category is not significant at this time, it represents the foundation for future growth in a potentially large channel of distribution.

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HYDRON TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note D - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30, 2001	2000	Nine Months September 2001
Numerator:			
Net income (loss) is both the numerator for basic earnings per share (income			

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available to common shareholders)			
and the numerator for diluted earnings per share			
(income available to common shareholders			
after assumed conversions or exercise			
of outstanding options and warrants,			
if dilutive)	\$ (237,014)	\$ (371,192)	\$ (591,120)
	=====	=====	=====
Denominator:			
Denominator for basic earnings per share			
(weighted-average shares)	4,975,136	4,975,136	4,975,136
Effect of dilutive securities: Stock options			
and warrants	--	--	--
	-----	-----	-----
Denominator for dilutive earnings per share			
(adjusted weighted-average)	4,975,136	4,975,136	4,975,136
	=====	=====	=====
Basic and diluted earnings per share	\$ (.05)	\$ (.07)	\$ (.12)
	=====	=====	=====

Options and warrants to purchase 350,000 shares of common stock were outstanding at September 30, 2001, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive to the net loss per share for the period.

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

Business

Hydron Technologies, Inc. markets a broad range of consumer and oral health care products using a moisture-attracting ingredient (the "Hydron(R) polymers"), 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 has concentrated its sales and development activities primarily on the application of these biocompatible, hydrophilic polymers in various personal care/cosmetic products for consumers and, to a lesser extent, oral-care products for dental professionals. The Company entered into a license agreement for supply of the polymer with National Patent Development Corp. ("National Patent"), which provides for reciprocal royalty payments based on the sale of certain of each party's products. The Company currently has thirty-nine individual products available (excluding shade variations) in the following product lines: skin care (22 products), hair care (7 products), bath and body (8 products) and sun care (2 products). Of the Company's products, nine are Over-The-Counter (OTC) drug products.

The Company is developing other cosmetic/personal care and OTC drug products for consumers using Hydron polymers. The Company intends to continue to explore using its technology as a topical drug delivery system and would, when appropriate, either seek licensing arrangements with third parties, or develop and market proprietary products through its own efforts.

The Company is also researching and developing new technology-based and possibly patentable skin treatment systems that would augment its product line. When appropriate, The Company may license existing technology to secure exclusive marketing rights.

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Management believes that the Company's Hydron 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 and leave no greasy after-feel; 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. 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.

Hydron products had been marketed on QVC through regularly scheduled hour-long programs from April 1994 through May 1999 under licensing agreement. The Company continues to sell certain products to QVC, on a non-exclusive basis, so that QVC can resell these products to their customers who had previously purchased the products and wish to re-order Hydron products.

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Business (Continued)

Effective September 1, 1999, the Company entered into a two year marketing and distribution agreement (the "Home Shopping Agreement") with HSN that granted HSN an exclusive worldwide license to market and distribute certain of the Company's proprietary consumer products through various forms of electronic retailing. The Home Shopping Agreement also granted HSN a non-exclusive license to market Hydron products through all other methods of distribution in certain countries outside the United States.

The Company launched its products on HSN's domestic television network on September 16, 1999 and aired the Hydron line during seven of the first twelve months of the Agreement. In the Agreement HSN made contractual commitments for \$2.5 million in purchases during the first 12 months. HSN did not meet its purchase commitment for the first 12 months.

Management continued to work with HSN to increase sales through their network in the second twelve months of the Agreement. In November 2000, the Company began marketing on HSE (Home Shopping Espanol), the Spanish language subsidiary of HSN. Hydron amended the HSN Agreement to air Hydron products on HSE's Spanish-language television shopping programming in the United States and internationally. Hydron retained Charytin Goyco, a well-known Latin celebrity, as Spokesperson for the Latin American Market. The HSE programs have aired in Domestic Latin markets, Puerto Rico, and Mexico.

In November 1996, the Company opened a new direct channel of distribution for Hydron products with the launch of its proprietary catalog. This full color catalog offers the Company's personal care products for sale directly to consumers. The catalog also provides information on new Hydron products, educates consumers on proper skin and hair care and facilitates re-ordering. Direct sales also include sales of products from the Hydron website (www.hydron.com) which was redesigned and re-launched in January 2001. The Company is currently exploring new ways to enhance Direct sales and operations.

In March 2001, the Company was contracted to provide a major international

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multilevel marketing corporation with exclusive skin care products based on Hydron's patented formula technology. The product line includes facial moisturizers, skin treatment products and related prestige quality formulas. The contract has escalating minimum sales requirements over three years to maintain exclusivity. The first order has been received and the initial shipments were made in August 2001.

On an international level, Hydron was introduced into Puerto Rico and Mexico in 2001 through television sales. The Hydron distributor in Taiwan reports brand distribution in 300 pharmacy and Dermatologist doors since April 2001. Hydron is also distributed in Australia. Management is reviewing additional opportunities to expand its consumer products through international retail marketing and distribution methods.

The majority of Hydron products are sold in connection with direct marketing through its proprietary catalog. HSN has not met its contractual purchase commitments and the HSN Agreement expired in September 2001. Management is considering remedies, legal and otherwise, to offset HSN's purchase shortfall. The purchase shortfall by HSN has had a material adverse effect on the Company's business. Sales through HSN were 7% and 31% of the Company sales during the nine months ended September 30, 2001 and 2000, respectively. Management is confident that there are other avenues for selling its products now that the exclusive HSN contract has ended.

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Results of Operations

Net sales for the three months ended September 30, 2001 were \$507,293; an increase of \$132,230, or 35%, from net sales of \$375,063 for the three months ended September 30, 2000. Net sales for the nine months ended September 30, 2001 were \$1,354,143; a decrease of \$301,172, or 18%, from net sales of \$1,655,315 for the nine months ended September 30, 2000.

Catalog net sales for the three months ended September 30, 2001 were \$266,947; a decrease of \$9,266, or 3%, from catalog net sales of \$276,213 for the three months ended September 30, 2000. Catalog net sales for the nine months ended September 30, 2001 were \$905,220, an increase of \$109,813, or 14% from catalog net sales of \$795,407 for the nine months ended September 30, 2000.

The decrease in catalog sales for the three months ended September 30, 2001 was due to a temporary reduction in sales following September 11th terrorist attack. The increase in catalog sales for the nine months ended September 30, 2001 was the result of an overall strategic effort to improve catalog activity to current customers and to former Hydron/QVC infomercial customers. The Company has begun testing new direct marketing programs targeted at new potential customers. Further testing will determine new catalog marketing programs for future expansion.

Non-catalog net sales, including HSN, QVC, private label and international, for the three months ended September 30, 2001 were \$240,346; an increase of \$141,496, or 143%, from non-catalog net sales of \$98,850 for the three months ended September 30, 2000. Non-catalog net sales for the nine months ended September 30, 2001 were \$448,923; a decrease of \$410,985, or 48%, from non-catalog net sales of \$859,908 for the nine months ended September 30, 2000. The quarterly non-catalog sales reflect the beginning of shipments to our private label customer and an increase in international sales. The decrease in non-catalog sales for the nine month period resulted primarily from lower net sales to HSN. QVC sales were also below a year ago reflecting an anticipated steady volume decline, as Hydron has not been actively marketed to the QVC's customers since May 1999.

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Approximately 4% of the Company's sales for the three months ended September 30, 2001, were from HSN and QVC, down from 25% for the three months ending September 30, 2000. Approximately 17% and 52% of the Company's sales during the nine months ended September 30, 2001 and 2000, respectively, were to HSN and QVC. Management anticipates that television sales will continue to be a smaller percentage of the Company's sales and, absent the consummation of marketing or distribution arrangements with third parties other than HSN, the Company's dependence upon direct response television as a distribution channel will be reduced.

The Company's overall gross profit margin for the three months ended September 30, 2001 was 58%, as compared to 70% for the three months ended September 30, 2000. The Company's overall gross profit margin for the nine months ended September 30 was 70% for 2001 and 67% for 2000. The decrease in gross profit margins for the third quarter reflect the fact that non-catalog sales have lower margins made up a larger portion of the Company's total sales.

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Results of Operations (Continued)

The gross profit margin on catalog sales for the three months ended September 30, 2001 was 80%, as compared to 85% for the three months ended September 30, 2000. The gross profit margin on catalog sales for the nine months ended September 30, 2001 was 81%, as compared to 83% for the nine months ended September 30, 2000. The decrease in the catalog gross profit margin for the three months ended September 30, 2001 was a result of a shift of product mix. The catalog gross profit margin for the nine months ended September 30, 2001 was maintained at parity with year ago.

The gross profit margin on non-catalog sales for the three months ended September 30, 2001 was 40%, as compared to 55% for the three months ended September 30, 2000. The gross profit margin on non-catalog sales for the nine months ended September 30, 2001 was 49%, as compared to 59% for the nine months ended September 30, 2000.

Research and development ("R&D") expenses reflect the Company's efforts to identify new product opportunities, develop and package the products for commercial sale, perform appropriate efficacy and safety tests, and conduct consumer panel studies and focus groups. R&D expenses for the three months ended September 30, 2001 were \$41,924, an increase of \$23,665, or 130%, from R&D expenses of \$18,259 for the three months ended September 30, 2000. R&D expenses for the nine months ended September 30, 2001 were \$82,067, an increase of \$23,799, or 41%, from R&D expenses of \$58,268 for the nine months ended September 30, 2000. 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.

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2001 were \$374,429; a decrease of \$117,561, or 24%, from SG&A expenses of \$491,990 for the three months ended September 30, 2000. Such expenses for the nine months ended September 30, 2001 were \$1,099,498; a decrease of \$346,701, or 24 %, from SG&A expenses of \$1,446,199 for the nine months ended September 30, 2000. The decrease in both periods was principally due to reduced television selling expenses, warehouse costs, catalog advertising expenses and consulting fees.

The Company is currently operating at a break-even cash flow rate while carefully investing in the future. Excluding some one-time charges occurring principally in the third quarter the net cash flow for the nine-month period

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would have increased \$138,000. During the nine months there have been several one-time expenses that reduced operating results, including: research and development expenses regarding new technologies, their related legal expenses, and, moving costs associated with the relocation of the corporate offices to Pompano Beach

Interest and investment income for the three months ended September 30, 2001 was \$3,744, a decrease of \$796, or 18%, from interest and investment income of \$4,540 for the three months ended September 30, 2000. Interest and investment income for the nine months ended September 30, 2001 was \$8,299, a decrease of \$8,091, or 49%, from interest and investment income of \$16,390 for the nine months ended September 30, 2000. These decreases were due to lower cash balances in the 2001 periods compared to the 2000 periods. The Company maintains a conservative investment strategy, deriving investment income primarily from U.S. Treasury securities.

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Results of Operations (Continued)

The net loss for the three months ended September 30, 2001 was \$237,014, as compared to a net loss of \$371,192 for the three months ended September 30, 2000. The net loss for the nine months ended September 30, 2001 was \$591,120, as compared to a net loss of \$798,376 for the nine months ended September 30, 2000. The decrease in the net losses resulted primarily from the factors discussed above.

Liquidity and Financial Resources

The Company's working capital was approximately \$918,067 at September 30, 2001, including cash and cash equivalents of approximately \$174,063.

Investing activities for the nine months ended September 30, 2001 were limited to \$8,711 for capital expenditures.

There were no financing activities during the nine months ended September 30, 2001.

The Company has incurred significant losses over the past four years. The ability of the Company to continue, as a going concern is dependent on increasing sales and reducing operating expenses.

Management's plan to increase sales and reduce operating expenses includes several specific actions. Catalog sales will be emphasized since they have higher profit margins and represent markets that are growing more rapidly than the Company's traditional television market. Direct marketing techniques will be used to reach new and current consumers such as promotions mailed to targeted consumers, Web site specials, promotions to other Web site customers, and direct e-mail promotions to current customers. Management also plans to increase international expansion at a controlled level. In addition, the Company is considering the possibility of raising funds through a private placement stock offering in order to develop new innovative products.

Based on the above plan and the Company's present cash position, the absence of any short or long term debt, arrangements with third parties for contractual manufacturing and R&D, and the Company's present business strategy, management believes that the Company has adequate resources to meet normal, recurring obligations, for at least the next twelve months, as they become due.

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The Company does not have the financial resources to sustain a national advertising campaign to market its products in a conventional retail mode. In view of the foregoing, Management's strategy has been to enter into marketing, licensing and distribution agreements with third parties (such as HSN, QVC, private label agreements) 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.

The effect of inflation has not been significant upon either the operations or financial condition of the Company.

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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 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, 1998 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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Part II - Other Information

Item 6. Exhibits and Reports On Form 8-K

A - Exhibits - 27.1 - Financial Data Schedule

B - Current report on Form 8-K

Date of Report, June 29, 2000, reporting items 4 and 7.

Date of Report, May 31, 2000, reporting items 4 and 7.

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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.

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By: /s/ William A. Fagot

William A. Fagot

Chief Financial Officer

Dated: November 14, 2001