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HYDRON TECHNOLOGIES INC
Form 10-Q
November 14, 2002

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, 2002
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 Number)

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 September 30, 2002: 5,300,136

HYDRON TECHNOLOGIES, INC.

Index

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Condensed Balance Sheets-- September 30, 2002 and December 31, 2001 3

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Condensed Statements of Operations -- Three and nine months ended September 30, 2002 and 2001	4
Condensed Statements of Cash Flows -- Nine months ended September 30, 2002 and 2001	5
Notes to Condensed Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 4. Control and Procedures	14
 Part II. Other Information -----	
Item 5. Other Information	15
Item 6. Exhibits and Reports on Form 8-K	15
Signatures	16
Certifications	17

2

HYDRON TECHNOLOGIES, INC.

Condensed Balance Sheets

	September 30, 2002 (Unaudited)	December 2001 (Note -----)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 31,996	\$ 167
Trade accounts receivable	27,880	61
Inventories	974,173	1,164
Prepaid expenses and other current assets	42,207	43
Total current assets	1,076,256	1,436
Property and equipment, less accumulated depreciation of \$543,533 and \$534,533 at 2002 and 2001, respectively	18,374	27
Deposits	28,390	28
Deferred product costs, less accumulated amortization of \$5,698,021 and \$5,482,021 at 2002 and 2001, respectively	399,309	544
Total Assets	\$ 1,522,329	\$ 2,036
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 192,284	\$ 116

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Deferred revenues	84,751	148
Accrued liabilities	403,647	388
	-----	-----
Total current liabilities	680,682	653
Commitments and contingencies	--	
Shareholders' equity		
Common stock - \$.01 par value		
30,000,000 shares authorized; 5,360,336 and 5,035,336 shares issued; and 5,300,136 and 4,975,136 shares outstanding at September 30, 2002 and December 31, 2001 respectively	53,603	50
Preferred stock - \$.01 par value		
5,000,000 shares authorized; no shares issued or outstanding	--	
Additional paid-in capital	19,553,837	19,501
Accumulated deficit	(18,326,635)	(17,730)
Treasury stock, at cost; 60,200 shares	(439,158)	(439)
	-----	-----
Total Shareholders' equity	841,647	1,382
	-----	-----
Total liabilities and shareholders equity	\$ 1,522,329	\$ 2,036
	=====	=====

Note: The balance sheet at December 31, 2001 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 financial statements.

3

HYDRON TECHNOLOGIES, INC.

Statement of Operations
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
	-----	-----	-----	-----
Net Sales	\$ 305,281	\$ 507,293	\$ 1,187,686	\$ 1,354,14
Cost of sales	58,900	214,039	325,135	412,07
	-----	-----	-----	-----
Gross profits	246,381	293,254	862,551	942,06
Expenses				
Royalty expense	15,015	18,059	59,410	61,11
Research and development	15,990	41,924	48,980	82,06
Selling, general & administration	344,552	374,429	1,126,486	1,099,49
Depreciation & amortization	75,000	99,600	225,000	298,80
	-----	-----	-----	-----
Total expenses	450,557	534,012	1,459,876	1,541,48
	-----	-----	-----	-----

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Operating loss	(204,176)	(240,758)	(597,325)	(599,411)
Interest income	127	3,744	778	8,290
Loss before income taxes	(204,049)	(237,014)	(596,547)	(591,121)
Income taxes expense	--	--	--	--
Net loss	\$ (204,049)	\$ (237,014)	\$ (596,547)	\$ (591,121)
Basic and diluted loss per share				
Net loss per common share	\$ (0.04)	\$ (0.05)	\$ (0.12)	\$ (0.12)
Weighted average shares outstanding (basic and dilutive)	5,148,234	4,975,136	5,033,469	4,975,136

See notes to condensed financial statements.

4

HYDRON TECHNOLOGIES, INC.

Statements of Cash Flow
(Unaudited)

	Nine months ended September 30	
	2002	2001
Operating Activities		
Net Loss	\$ (596,547)	\$ (591,120)
Adjustments to reconcile net loss to Net Cash used by operating activities		
Depreciation and amortization	225,000	298,800
Change in operating assets and liabilities		
Trade accounts receivables	33,564	40,561
Inventories	190,124	89,451
Prepaid expenses and other current assets	1,243	10,843
Deposits	(187)	21,706
Accounts payable	75,725	(105,110)
Deferred revenues	(63,895)	209,618
Accrued liabilities	15,614	17,079
Net cash provided (used) by operating activities	(119,359)	(8,172)
Investing activities		
Capital Expenditures, net	--	8,711
Deferred product costs	(15,713)	--
Net cash provided (used) by investing activities	(15,713)	8,711

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Financing activities		
Net cash provided (used) by financing activities	--	--
	-----	-----
Net increase (decrease) in cash and cash equivalents	(135,072)	(16,883)
Cash and cash equivalents at beginning of period	167,067	190,946
	-----	-----
Cash and cash equivalents at end of period	\$ 31,995	\$ 174,063
	=====	=====
Noncash investing and financing activities		
Market value of stock issued for license agreement	\$ 55,250.00	--

See notes to condensed financial statements.

5

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 and nine month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. 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, 2001.

Note B - Inventories

Inventories consist of the following:

	September 30, 2002	December 31, 2001
	-----	-----
Finished goods	\$ 350,172	\$ 543,880
Raw material and components	624,001	620,417
	-----	-----
	\$ 974,173	\$ 1,164,297
	=====	=====

Note C - Distribution

The majority of the Company's products are currently sold in the United States through Hydron 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.

While in prior years television retail was the primary focus for the marketing and distribution of the Company's products, Management believes that the Company's exclusive agreements with television retailers had limited the marketing opportunities to build its business through additional sales channels.

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Under exclusive contracts with television retailers the Company neither controlled its airtime nor the selling priorities of those television retailers, effectively handicapping the Company's ability to influence sales trends.

The Company began diversifying away from television retailers in 2001 with continued focus on developing the Catalog business and the addition of a private label customer to provide additional cash flow. Further, the Company has been pursuing new international distribution and new products that would significantly augment Hydron's direct marketing efforts. This development includes filing a patent in February 2002 on new acne formulas that provide marked performance improvements versus other over-the-counter products currently on the market.

6

Note C - Distribution (continued)

- Catalog Sales

The Company's full color Catalog offers personal care products for sale directly to consumers. The Catalog also provides information on new products, educates consumers on proper skin care and facilitates consumer re-ordering. The Company sells its products on the World Wide Web and regularly transmits E-mail broadcasts to its customer base. Catalog sales represents approximately 75% of Hydron's total annual sales. The Company is continuing to explore new ways to enhance Catalog sales and operations.

- Private Label Contracting

Effective March 1, 2001, the Company entered into an agreement with Reliv International, Inc ("Reliv") to develop and manufacture a line of private label skin care products under their brand name, ReversAge(R). Five products were introduced in August 2001 at a national sales meeting to Reliv's multi-tier marketing distribution network. A sixth new product was introduced in February 2002. The agreement requires minimum product purchases and advance payments to cover packaging and design costs. Reliv is a public company traded on NASDAQ (symbol RELV). Private label sales represent approximately 20% of Hydron's total annual sales.

- International

The Company sells product to an Australia-based health and beauty products distributor for retail salon stores and medical offices in Australia and New Zealand.

The Company also distributes dental products into Spain and, to a lesser extent, other countries. Although this category is not significant at this time, Management is committed to the expansion of international sales and believes that international sales represent one of the foundations for the future growth of the Company.

- Retail

The Company has established minor levels of retail distribution. Initially, utilizing excess inventory, the Company has sold product on a limited, promotional basis to several retailers utilizing current packaging configurations. It is anticipated that any significant retail effort of core Hydron products would require investment in repackaging.

Note D - Earnings Per Share

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Options and warrants to purchase 206,500 shares of common stock were outstanding at September 30, 2002, 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.

The Board of Directors has approved the issuance of an additional 507,500 options; subject to the approval of a stock option plan amendment at the next shareholders' meeting. These options have not been reflected in the September 30, 2002 calculations since there are insufficient options available without the shareholders actions.

7

Note E - Subsequent Event

On October 30, 2002, the Board of Directors of the Company approved the issuance of common stock in the form of a private placement offering to raise between \$250,000 and \$400,000 in equity financing. One non-registered share accompanied with an option to purchase an additional share will be offered at \$0.20 per unit. The option is exercisable anytime during the next three years at an exercise price of \$0.20 per share. If the full \$400,000 is raised, the number of shares outstanding will increase by 2,000,000 shares and the number of options outstanding will increase an additional 2,000,000 shares.

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.

8

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

Critical Accounting Policies

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The listing is not intended to be a comprehensive list of all our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For detailed discussion on the application of these and other accounting policies, see the Notes to the Financial Statements in the Company's December 31, 2001 Form 10K. Note that our preparation of the financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and

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liabilities at the date of our financial statements, and the reported amount of revenue and expenses during the reported period. There can be no assurance that actual results will not differ from those estimates.

Revenue Recognition and Product Warranty

Revenue from product sales is recognized at the time of shipment. Provision is made in the period of the sale for estimated product returns from the ultimate end user.

Research and Development

Research and development costs are charged to operations when incurred and are included in operating expenses.

Advertising

Advertising costs are expensed as incurred and are included in "selling, general and administrative expenses."

Business

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

9

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

Business (continued)

The Company has been engaged in the development of various consumer products using Hydron polymers since 1986. The Company's products are designed to address concerns about aging, and include Hydron 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 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

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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 emulsion system can enhance the effectiveness of topical over-the-counter medications. The emulsion system is designed to deposit a uniform 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.

In 2000, the Company discovered that the Hydron 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.

Hydron filed for patent protection in February 2002 for a unique delivery system for over-the-counter (OTC) acne drug ingredients. The new system is believed to significantly reduce the harshness and irritation caused by most acne products currently in the marketplace. The Brand will be developed under the registered Aclime(R) trademark. The Company is currently finalizing packaging and evaluating alternative distribution channels for the line, including: direct marketing, limited retail and infomercials.

10

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

Business (continued)

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 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.

The approach to tissue oxygenation developed by Hydron 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

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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 for 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 others suffering from chronic wounds to fluid for transporting organs for transplant. 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 his technology.

On November 1, 2002, the Company attended by invitation, a conference held by the Diabetes Technology Society in Atlanta, Georgia where it presented an abstract of its clinical findings.

Oxygen is also is 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 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 stock and future royalty payments. This may allow Hydron to be able to manufacture future products under Hydron'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.

Currently, the Company's cash flow is insufficient to exploit these new opportunities and therefore the Company is exploring alternative methods to finance their continued development.

11

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

Results of Operations

Net sales for the three months ended September 30, 2002 were \$305,281; a decrease of \$202,012, or 40%, from net sales of \$507,293 for the three months ended September 30, 2001. Net sales for the nine months ended September 30, 2002 were \$1,187,686; a decrease of \$166,457 or 12% from net sales of \$1,354,143 for the nine months ended September 30, 2001.

Catalog net sales for the three months ended September 30, 2002 were \$288,720; an increase of \$21,773, or 8%, from catalog net sales of \$266,947 for the three months ended September 30, 2001. Catalog net sales for the nine months ended September 30, 2002 were \$919,791, an increase of \$14,571 or 2% from catalog net sales of \$905,220 for the nine months ended September 30, 2001. The increase in catalog sales for the three months ended September 30, 2002 and nine months ended September 30, 2002 was the result of improved third quarter catalog

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promotional activities.

Non-catalog net sales, including television, contract, and international sales, for the three months ended September 30, 2002 were \$16,561; a decrease of \$223,785, or 93%, from non-catalog net sales of \$240,346 for the three months ended September 30, 2001. The quarterly non-catalog sales decrease reflects initial private label shipments in 2001 that were not replaced with turn sales in 2002. The Company sold \$11,500 to television retailers for the three months ended September 30, 2002, as compared to \$21,877 for the three months ended September 30, 2001. Television retailer contracts have been terminated as of March 2002, since the exclusivity was too restrictive.

The Company's overall gross profit margin for the three months ended September 30, 2002 was 81%, as compared to 58% for the three months ended September 30, 2001. The increase in gross profit margins for the period reflects a shift in product mix; with higher margin catalog sales representing 95% of sales for the three months ended September 30, 2002 as compared to catalog sales representing 53% of sales for the three months ended September 30, 2001.

R&D expenses for the three months ended September 30, 2002 were \$15,990; a decrease of \$25,934, or 62%, from R&D expenses of \$41,924 for the three months ended September 30, 2001. The R&D expenses a year ago reflect clinical testing associated with the oxygenation project. 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, 2002 were \$344,552; a decrease of \$29,877, or 8%, from SG&A expenses of \$374,429 for the three months ended September 30, 2001. The decrease was principally due to reduced operating expenses after the office relocation.

Interest and investment income for the three months ended September 30, 2002 was \$127, a decrease of \$3,617, or 97%, from interest and investment income of \$3,744 for the three months ended September 30, 2001. This decrease is due to lower cash balances in the 2002 period compared to the 2001 period. The Company maintains a conservative investment strategy, deriving investment income primarily from U.S. Treasury securities.

12

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

Results of Operations (continued)

The net loss for the three months ended September 30, 2002 was \$204,049, a decrease of \$32,965, or 14%, as compared to a net loss of \$237,014 for the three months ended September 30, 2001. The decrease in the net loss resulted primarily from the factors discussed above.

Liquidity and Financial Resources

The Company's working capital was approximately \$395,574 at September 30, 2002, including cash and cash equivalents of approximately \$31,996. There were no investing or financing activities for the three months ended September 30, 2002.

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.

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Management's plan to increase sales and reduce operating expenses includes several specific actions. Catalog sales will continue to 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 new customers.

In addition, the Company added a significant Private Label customer of Hydron based formulas, with a proprietary nutritional complex of additives, that began ordering in the second quarter, 2001. This customer competes in the multi-Level Marketing category and has been successful for 13 years.

The Company is also pursuing international distribution agreements that will expand the company's distribution around the world. Finally, the Company will continue to develop tissue oxygenation and other technology that it believes will improve its long-term success in this category.

As noted in the year-end Report of Independent Certified Public Accountants, dated March 18, 2002, the Company experienced losses from operations in 2001, 2000, and 1999. These matters raise substantial doubt about the Company's ability to continue as a going concern. 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. The effect of inflation has not been significant upon either the operations or financial condition of the Company.

13

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.

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

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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.

14

Part II - Other Information

Item 5. Other Information

Effective August 12, 2002, Charles Johnston resigned from the Board of Directors for personal reasons. It has not been determined as to whether this position will be filled or remains vacant.

Item 6. Exhibits and Reports on Form 8-K

Exhibits

- 99(i) Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99(ii) Principal Operating Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99(iii) Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Current report on Form 8-K

On November 14, 2002, the Company filed Items 7 and 9 to Form 8-K related to Statements Under Oath of Principal Executive Officer, Principal Operating Officer and Principal Financial Officer and Circumstances Relating to Exchange Act Filings.

15

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.

/s/ WILLIAM A. FAGOT

William A. Fagot
Chief Financial Officer

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Dated: November 14, 2002

16

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 (November 14, 2002); 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

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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
November 14, 2002

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 (November 14, 2002); 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

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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
November 14, 2002

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 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 (November 14, 2002); 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.

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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
November 14, 2002