

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 1996

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-26918

CYTOCLONAL PHARMACEUTICS INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

75-2402409

(State or Other jurisdiction
of incorporation or Organization)

(I.R.S. Employer
Identification Number)

9000 Harry Hines Boulevard, Suite 330, Dallas, Texas 75235

(Address of Principal Executive Offices)

(214)-353-2922

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year,
if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to
be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution
of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes
of common equity, as of the latest practicable date: 7,617,632 shares of common
stock, \$.01 par value, outstanding as of May 8, 1996.

Transitional Small Business Disclosure Format (check one):

Yes No X

CYTOCLONAL PHARMACEUTICS INC

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Item 1. Financial Statements

CYTOCLONAL PHARMACEUTICS INC.
(a development stage company)

BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1995 -----	March 31, 1996 ----- (unaudited)
<S> ASSETS	<C>	<C>
Current assets:		
Cash	\$5,442,000	\$4,905,000
Prepaid expenses and other current assets	-----	31,000 16,000 -----
Total current assets	5,473,000	4,921,000
Equipment, net	60,000	68,000
Patent rights, less accumulated amortization of \$312,000 and \$331,000	938,000	919,000
Investment in joint venture - at equity	39,000	33,000
Other assets	5,000	5,000
T O T A L	----- \$6,515,000	----- \$5,946,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued expenses	235,000	323,000
Total current liabilities	235,000	323,000
Royalties payable	1,250,000	1,250,000
Total liabilities	1,485,000	1,573,000
Stockholders' equity:		
Preferred stock - \$.01 par value, 10,000,000 shares authorized; 1,268,787 and 1,370,908 shares of Series A convertible preferred issued and outstanding at December 31, 1995 and March 31, 1996, respectively (liquidation value \$3,172,000 and \$3,427,000 at December 31, 1995 and March 31, 1996, respectively)	13,000	14,000
Common Stock - \$.01 par value, 30,000,000 shares authorized: 7,563,500 and 7,588,267 shares issued and outstanding at December 31, 1995 and March 31, 1996, respectively	76,000	76,000
Additional paid-in capital	13,903,000	13,902,000
Deficit accumulated during the development stage	(8,962,000)	(9,619,000)
Total Stockholders' Equity	5,030,000	4,373,000
TOTAL	\$6,515,000	\$5,946,000

</TABLE>

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CYTOCLONAL PHARMACEUTICS INC.
(a development stage company)

STATEMENT OF OPERATIONS
(unaudited)

<TABLE>

<CAPTION>

	September 11, 1991		
	Three Months Ended		(inception)
	March 31,		through
	1995	1996	March 31,
	---	---	---
	<C>	<C>	<C>
Operating Expenses:			
Research and development	\$ 313,000	\$ 339,000	\$ 5,070,000
General and administrative	353,000	380,000	4,176,000
	666,000	719,000	9,246,000
Other (Income) expenses:			
Interest (income)	(1,000)	(62,000)	(265,000)
Interest expense	100,000		559,000
	99,000	(62,000)	294,000
NET (LOSS)	(\$ 765,000)	(\$ 657,000)	\$ 9,540,000
Net loss per common share	(\$ 0.16)	(\$ 0.13)	
Weighted average number of shares outstanding	5,367,415	7,569,918	

</TABLE>

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CYTOCLONAL PHARMACEUTICS INC.
(a development stage company)

STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>

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	Three Months Ended		September 11,
	March 31,		1991
	1995	1996	(Inception)
			through
			March 31,
			1996
	<C>	<C>	<C>
Cash flows from operating activities:			
Net (loss)	(\$765,000)	(\$657,000)	(\$9,540,000)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Depreciation and amortization	29,000	28,000	482,000
Amortization of debt discount	50,000		269,000
Amortization of debt costs	97,000		554,000
Value assigned to warrants and options		16,000	
Equity in loss of joint venture	6,000	6,000	199,000
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	(1,000)	15,000	(25,000)
Increase in accounts payable and accrued expenses	84,000	88,000	323,000
Net cash (used in) operating activities	(500,000)	(520,000)	(7,722,000)
Cash flows from investing activities:			
Purchase of equipment		(17,000)	(138,000)
Investment in joint venture			(233,000)
Net cash (used in) investing activities		(17,000)	(371,000)
Cash flows from financing activities:			
Net proceeds from sales of preferred and common stock			13,750,000
Proceeds from bridge loans, net of expenses	404,000		2,684,000
Repayment of bridge loans			(3,238,000)
Principal payments of equipment notes			(76,000)
Dividends paid			(122,000)
Net cash provided by financing activities	404,000		12,998,000
NET (DECREASE) IN CASH	(96,000)	(537,000)	4,905,000
Cash at beginning of period	395,000	5,442,000	
CASH AT END OF PERIOD	\$299,000	\$4,905,000	4,905,000

</TABLE>

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Item 2. Plan of Operation

Cytoclonal Pharmaceuticals Inc. (the "Company") was organized and commenced operations in September 1991. The Company is in the development stage, and its efforts have been principally devoted to research and development activities and organizational efforts, including the development of products for

the treatment of cancer and infectious diseases, recruiting its scientific and management personnel and advisors and raising capital.

The Company's plan of operation for the next 12 months will consist of research and development and related activities aimed at:

- * further increasing the Taxol yield from the Fungal Taxol Production System using alternative fermentation technologies, inducers and media strain improvements.
- * further development of a diagnostic test using the LCG gene and related MAb to test in vitro serum, tissue or respiratory aspirant material for the presence of cells which may indicate a predisposition to, or early sign of, lung or other cancers.
- * developing a humanized antibody specific for the protein associated with the LCG gene and, if successful, submission of an IND for clinical trials.
- * testing the TNF-PEG technology as an anti-cancer agent in animal studies.
- * further development of proprietary vectors which have been constructed for the expression of specific proteins that may be utilizable for vaccines for different diseases.
- * initiating animal studies of IL-T and IL-P and, if successful, submission of an IND for clinical trials.
- * continuing the funding of the research on anti-sense technology currently being conducted at the University of Texas at Dallas and testing of an idealized anti-sense algorithm under development.

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- * development of technology licensed from the University of California, Los Angeles for taxol treatment of polycystic kidney disease.
- * making modest improvements to the Company's laboratory facilities.
- * hiring approximately three additional research technicians and a financial vice president.
- * seeking to establish strategic partnerships for the development, marketing, sales and manufacturing of the Company's proposed products.

The actual research and development and related activities of the Company may vary significantly from current plans depending on numerous factors, including changes in the cost of such activities from current estimates, the results of the Company's research and development programs, the results of clinical studies, the timing of regulatory submissions, technological advances, determinations as to commercial potential and the status of competitive products. The focus and direction of the Company's operations will also be dependent upon the establishment of collaborative arrangements with other companies, the availability of financing and other factors.

For the period from January 1, 1996 to March 31, 1996, the Company incurred a net loss of \$657,000. The Company expects to incur additional losses in the foreseeable future.

The Company incurred a net loss of \$765,000 for the three months ended March 31, 1995. The decrease from the previous year was attributable to a decrease in interest expense and financing costs associated with two bridge financings in 1994 and 1995. In connection with the two bridge financings, the Company issued an aggregate of \$3,037,500 in principal amount of 9% subordinated notes, which notes and interest thereof were repaid out of the proceeds of the Company's public offering which was consummated in November 1995.

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The Company incurred general and administrative expenses of \$353,000

and \$380,000 for the three months ended March 1995 and March 1996, respectively. The increase was attributable to increased public relations costs and to the acquisition of Directors and Officers liability insurance. The increase was partially offset by a decrease in financing costs mentioned above.

The Company incurred research and development expenses of \$313,000 and \$339,000 for the three months ended March 1995 and March 1996, respectively. The increase was attributable to an increase in the purchase of laboratory supplies and to the acquisition of an exclusive license to technology for taxol treatment of polycystic kidney disease ("PKD"). PKD is a condition characterized by a large number of cysts resulting in enlarged kidneys, impairment of kidney function and, eventually, kidney failure and death. The worldwide rights, acquired from the University of California, Los Angeles (UCLA), include a pending patent and provide for royalties to UCLA upon commercial sales.

The Company believes that the net proceeds from its initial public offering of November 1995 will be sufficient to finance the Company's plan of operation for approximately 24 months. There can be no assurance that the Company will generate sufficient revenues to fund its operations after such period or that any required financings will be available, through bank borrowings, debt or equity offerings, or otherwise, on acceptable terms or at all.

PART II -- OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibit 11 Computation of per share earnings
- (b) Reports on Form 8-K - None

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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.

CYTOCLONAL PHARMACEUTICS INC.

Date: May 13, 1996

/s/ Daniel M. Shusterman

Daniel M. Shusterman
Vice President of Operations,
Treasurer and Chief Financial
Officer

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CYTOCLONAL PHARMACEUTICS INC.

COMPUTATION OF NET (LOSS) PER COMMON SHARE (2)
(unaudited)

Primary

<TABLE>

<CAPTION>

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1996	
	----- <C>	----- <C>	
<S> Net (loss)	(\$ 765,000)	(\$ 657,000)	
Add cumulative preferred dividend	-----	(79,000)	(345,000)
NET (LOSS) USED FOR COMPUTATION	=====	=====	(\$ 844,000) (\$1,002,000)
Weighted average number of common shares outstanding	-----	5,220,000	7,569,918
Shares issuable upon exercise of stock options and warrants, net of shares assumed to be repurchased (1)	-----	147,415	0
Shares used for computation	=====	5,367,415	7,569,918
Net (loss) per common share	=====	(\$ 0.16)	(\$ 0.13)

</TABLE>

Notes and Assumptions:

- (1) The Company issued common stock and common stock equivalents for consideration below the initial public offering price of \$5.00. Consequently, in accordance with Staff Accounting Bulletin 83 (during the periods covered by statements of operation included in the registration statement) the following methodology was used in determining weighted average shares outstanding:

Stock issued in a one year period immediately prior to the offering was treated as outstanding for the entire period and repurchase of shares using the treasury stock method at an offering price of \$5.00.

- (2) Adjusted to reflect retroactively, a 1 for 2.5 reverse stock split effected on August 2, 1995.

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10-QSB

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