

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999  
-----

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 REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<S>	DELAWARE	<C>	75-2402409
	(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)		(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

9000 HARRY HINES BOULEVARD, SUITE 330, DALLAS, TEXAS 75235  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(214)-353-2922  
(REGISTRANT'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 CORPORATE ISSUERS

STATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES  
OF COMMON EQUITY, AS OF THE LATEST PRACTICABLE DATE: 10,395,210 SHARES OF COMMON  
STOCK, \$.01 PAR VALUE, OUTSTANDING AS OF AUGUST 11, 1999.

CYTOCLONAL PHARMACEUTICS INC.

TABLE OF CONTENTS

<TABLE>

<CAPTION>

<S>

PART I. FINANCIAL INFORMATION

Page(s)

<C>

Item 1. -- Financial Statements:

Balance Sheets as of June 30, 1999 (unaudited) and December 31, 1998	3
Statements of Operations for the Three Months Ended June 30, 1999 and 1998 and the Six Months Ended June 30, 1999 and 1998 (unaudited)	3
Statements of Cash Flows for the Three Months Ended June 30, 1999 and 1998 (unaudited)	5
Notes to Financial Statements	6
Item 2. -- Management's Discussion and Analysis of Financial Condition and Results of Operations	7

## PART II. OTHER INFORMATION

Item 6. -- Exhibits and Reports on Form 8-K	8
Signatures	8
Exhibit 11 Computation of per share earnings	9
Exhibit 27 Financial Data Schedule	10

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### CYTOCLONAL PHARMACEUTICS INC.

#### BALANCE SHEETS

<TABLE>  
<CAPTION>

	June 30, 1999 (unaudited)	December 31, 1998
	----- <C>	----- <C>
ASSETS		
Current assets:		
Cash (principally money market)	\$ 4,907,000	\$ 6,826,000
Prepaid expenses and other current assets	291,000	85,000
	-----	-----
Total current assets	5,198,000	6,911,000
Equipment, net	300,000	121,000
Patent rights, less accumulated amortization of \$597,000 and \$540,000	837,000	710,000
Other assets	4,000	4,000
	-----	-----
TOTAL	\$ 6,339,000	\$ 7,746,000
	=====	=====

#### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Current Liabilities:

Accounts payable and accrued expenses	441,000	461,000
---------------------------------------	---------	---------

Deferred revenue from research and development collaborative contract	83,000	67,000
Current portion of royalties payable	156,000	156,000
	-----	-----
Total current liabilities	680,000	684,000
	-----	-----
Royalties payable less current portion	969,000	1,000,000
	-----	-----
Total liabilities	1,649,000	1,684,000
	-----	-----
Stockholders' equity:		
Preferred stock - \$.01 par value, 10,000,000 shares authorized; 714,641 and 746,864 shares of Series A convertible preferred issued and outstanding at June 30, 1999 and December 31, 1998, respectively (liquidation value \$1,787,000 and \$1,872,000 at June 30, 1999 and December 31, 1998, respectively)	7,000	7,000
Common Stock - \$.01 par value, 30,000,000 shares authorized: 10,378,412 and 10,209,844 shares issued and outstanding at June 30, 1999 and December 31, 1998, respectively	104,000	102,000
Additional paid-in capital	24,323,000	23,785,000
Accumulated Deficit	(19,744,000)	(17,832,000)
	-----	-----
Total Stockholders' Equity	4,690,000	6,062,000
	-----	-----
TOTAL	\$ 6,339,000	\$ 7,746,000
	=====	=====

</TABLE>

3

CYTOCLONAL PHARMACEUTICS INC.

STATEMENT OF OPERATIONS  
(unaudited)

<TABLE>  
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue:				
Licensing & research collaborative agreement	\$ 250,000	\$ 789,000	\$ 483,000	\$ 789,000
	-----	-----	-----	-----
Operating Expenses:				
Research and development	\$ 510,000	\$ 462,000	\$ 1,382,000	\$ 822,000
General and administrative	626,000	564,000	1,139,000	1,011,000
	-----	-----	-----	-----
	1,136,000	1,026,000	2,521,000	1,833,000
	-----	-----	-----	-----
Operating (loss)	(886,000)	(237,000)	(2,038,000)	(1,044,000)
	-----	-----	-----	-----

Other (Income) expenses:

Interest (income)	(60,000)	(68,000)	(129,000)	(87,000)
Interest expense	1,000	--	3,000	2,000
	(59,000)	(68,000)	(126,000)	(85,000)
	-----	-----	-----	-----
NET (LOSS)	\$ (827,000)	\$ (169,000)	\$ (1,912,000)	\$ (959,000)
Basic and diluted loss per common share	\$ (0.08)	\$ (0.02)	\$ (0.19)	\$ (0.11)
Weighted average number of shares outstanding - basic and diluted	10,342,000	9,727,000	10,305,000	9,286,000

4

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF CASH FLOWS  
(unaudited)

<TABLE>  
<CAPTION>

	Six Months Ended June 30,	
	1999	1998
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net (loss)	\$ (1,912,000)	\$ (959,000)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation and amortization	80,000	62,000
Value assigned to common shares and options	291,000	
Changes in:		
Other assets	(206,000)	(9,000)
Deferred revenue	16,000	461,000
Accounts payable and accrued expenses	(35,000)	259,000
	-----	-----
Net cash (used in) operating activities	(1,766,000)	(186,000)
	-----	-----
Cash flows from investing activities:		
Purchase of equipment	(187,000)	(56,000)
	-----	-----
Net cash (used in) investing activities	(187,000)	(56,000)
	=====	=====
Cash flows from financing activities:		
Net Proceeds from private placement	--	4,838,000
Proceeds from exercise of options and warrants	65,000	2,617,000
Payment of royalties	(31,000)	(31,000)
	-----	-----
Net cash provided by financing activities	34,000	7,424,000
	-----	-----
NET INCREASE (DECREASE) IN CASH		(1,919,000)
Cash at beginning of period	6,826,000	1,849,000
	-----	-----
CASH AT END OF PERIOD	\$ 4,907,000	\$ 9,031,000
	=====	=====
Supplemental disclosures of cash flow information:		
Noncash investing activities:		
Equipment acquired included in accounts payable and accrued expenses:	\$ 15,000	

</TABLE>

CYTOCLONAL PHARMACEUTICS INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(unaudited)

(1) FINANCIAL STATEMENT PRESENTATION

The unaudited financial statements of Cytoclonal Pharmaceuticals Inc., a Delaware corporation (the "Company"), included herein have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of operations for the interim periods presented. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes thereto should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

Through June 1998, the Company was in the development stage and its efforts had been principally devoted to research and development, capital formation and organizational development.

(2) RESEARCH AND COLLABORATIVE AGREEMENT

In June 1998, the Company entered into a license and research agreement with Bristol-Myers Squibb ("BMS") on two technologies related to production of paclitaxel, the active ingredient in BMS's largest selling cancer product, Taxol(R). The agreement includes fees, milestone payments, research and development support and minimum and sales based royalties.

(3) LOSS PER COMMON SHARE

In 1997, the Financial Accounting Standards Board issued Statement No. 128 "Earnings Per Share". Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of option, warrants and convertible securities. Dilutive earnings per share is very similar to the previously reported fully diluted earnings per share. In accordance with Statement No. 128, which was adopted by the Company in 1997, basic and diluted net loss per common share is based on the net loss increased by dividends on preferred stock divided by the weighted average number of common shares outstanding during the year. No effect has been given to outstanding options, warrants or convertible preferred stock in the diluted computation as their effect would be antidilutive.

(4) REVENUE RECOGNITION

Revenue from licensing and research agreements is recognized as the expenses for research and development activities performed under the terms of the agreements are incurred. Revenues from nonrefundable licenses and up front fees are recognized upon signing the agreement. Revenue resulting from the achievement of milestones is recognized when the milestone is achieved. Amounts received in advance of services to be performed are recorded as deferred revenue.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this report, the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any further period.

Cytoclonal Pharmaceuticals Inc., a Delaware corporation (the "Company"), was duly organized and commenced operations in September 1991. To date, the Company's 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.

For the period from April 1, 1999 to June 30, 1999, the Company incurred a net loss of \$827,000 compared to a net loss of \$169,000 for the same period in 1998. For the period from January 1, 1999 to June 30, 1999, the Company incurred a net loss of \$1,912,000 compared to a net loss of \$959,000 for the same period in 1998. The increase for the six-month period from the previous year was attributable to an increase in operating expenses and a decrease in revenue, partially offset by an increase in interest income. The Company expects to incur additional losses in the foreseeable future.

The Company incurred general and administrative expenses of \$1,139,000 and \$1,011,000 for the six months ended June 1999 and June 1998, respectively. The increase from the previous year was attributable to increased expenditures for travel and lodging, consulting fees, rent, administrative salaries and taxes, partially offset by a decrease in legal and professional expenses due to certain reimbursements of such costs from licensor.

The Company incurred research and development expenses of \$1,382,000 and \$822,000 for the six months ended June 1999 and June 1998, respectively. The increase was attributable to a large extent to a non-recurring expense for the acquisition of the Quantum Core Technology(TM) for drug design and for research activities in Israel. Additionally, the increase was attributable to funding for the research program at Research & Development Institute, Inc. (RDI), an increase in laboratory rental expenses, an increase in contract labor costs, an increase in laboratory supplies, and an increase in research salaries and payroll taxes, partially offset by a decrease in the expense for the research program at Washington State University. Included in research and development expenses for the six months ended June 1999 was a non-cash charge of \$291,000 relating to the valuations of common stock and options issued in connection with services rendered in identifying and securing the drug design technology.

The Company believes that it has sufficient capital to finance the Company's plan of operation in excess of 12 months. However, there can be no assurances that the Company will generate sufficient revenues, if any, 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

- (a) Exhibit 11 Computation of net (loss) per share  
Exhibit 27 Financial Data Schedule
- (b) Reports on Form 8-K - None

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: August 16, 1999                      /s/ Daniel M. Shusterman

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

8

INDEX TO EXHIBITS

<TABLE>	
<CAPTION>	
Exhibit Number	Description
-----	-----
<S>	<C>
11	Computation of net (loss) per share
27	Financial Data Schedule

</TABLE>

EXHIBIT 11

CYTOCLONAL PHARMACEUTICS INC.

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

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,			
	1999	1998	1999	1998		
<S> Net (loss)	<C> \$ (827,000)	<C> \$ (169,000)	<C> \$ (1,912,000)	<C> \$ (959,000)		
Add cumulative preferred dividend		(45,000)	(51,000)	(89,000)	(103,000)	
NET (LOSS) USED FOR COMPUTATION			\$ (872,000)	\$ (220,000)	\$ (2,001,000)	\$ (1,062,000)
Weighted average number of common shares outstanding--basic and diluted		10,342,000	9,727,000	10,305,000	9,286,000	
Net (loss) per common share--basic and diluted	\$ (0.08)	\$ (0.02)	\$ (0.19)	\$ (0.11)		

</TABLE>



<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	JUN-30-1999
<CASH>	4,907
<SECURITIES>	0
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	5,198
<PP&E>	595
<DEPRECIATION>	295
<TOTAL-ASSETS>	6,339
<CURRENT-LIABILITIES>	680
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	7
<COMMON>	104
<OTHER-SE>	4,579
<TOTAL-LIABILITY-AND-EQUITY>	6,339
<SALES>	0
<TOTAL-REVENUES>	483
<CGS>	0
<TOTAL-COSTS>	0
<OTHER-EXPENSES>	2,521
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	3
<INCOME-PRETAX>	0
<INCOME-TAX>	0
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(1,912)
<EPS-BASIC>	(.19)
<EPS-DILUTED>	(.19)

</TABLE>