CYTOGEN CORP
Form 10-Q
August 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-14879

Cytogen Corporation

(Exact name of Registrant as specified in its charter)

Delaware	22-2322400
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

600 College Road East, CN 5308, Princeton, NJ 08540-5308
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code (609) 750-8200

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 X No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 1, 2001
Common Stock, $.01 par value	79,358,957

PART I - FINANCIAL INFORMATION

Item I - Consolidated Financial Statements

CYTOGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except share data)
(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 18,713	$ 11,993
Receivable on income tax benefit sold	--	1,625
Accounts receivable, net	2,211	1,841
Inventories	1,862	883
Other current assets	820	377
Total current assets	23,606	16,719
Property and Equipment, net	1,916	2,193
Other Assets	1,857	1,504
	$ 27,379	$ 20,416
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Current portion of long-term debt	$ 104	$ 151
Accounts payable and accrued liabilities	5,809	7,218
Deferred revenue	835	859
Total current liabilities	6,748	8,228
Long-Term Debt	2,313	2,374
Deferred Revenue	2,191	2,596
Stockholders' Equity:		
Preferred stock, $.01 par value, 5,400,000 shares authorized - Series C Junior Participating Preferred Stock, $.01 par value, 200,000 shares authorized, none issued and outstanding	--	--
Common stock, $.01 par value, 250,000,000 shares authorized, 78,859,000 and 75,594,000 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	789	756
Additional paid-in capital	350,362	335,938
Deferred compensation	(704)	(895)
Accumulated deficit	(334,320)	(328,581)
Total stockholders' equity	16,127	7,218

	$ 27,379	$ 20,416

The accompanying notes are an integral part of these statements.

CYTOGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(All amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30	
	2001	2000	2001	20
Revenues:				
Product related:				
ProstaScint	$ 1,769	$ 1,492	$ 3,991	$ 3
Others	213	130	326	
Total product sales	1,982	1,622	4,317	3
Quadramet royalties	595	508	1,036	1
Total product related	2,577	2,130	5,353	4
License and contract	257	305	472	
Total revenues	2,834	2,435	5,825	5
Operating Expenses:				
Cost of product	622	981	1,774	1
Research and development	2,483	1,540	4,222	3
Selling and marketing	1,577	1,323	3,331	2
General and administrative	1,349	1,107	2,522	2
Total operating expenses	6,031	4,951	11,849	9
Operating loss	(3,197)	(2,516)	(6,024)	(4
Interest income	156	195	377	
Interest expense	(44)	(52)	(92)	
Loss before cumulative effect of accounting change	(3,085)	(2,373)	(5,739)	(4

Cumulative effect of accounting change	--	--	--	(4
Net loss	$ (3,085)	$ (2,373)	$ (5,739)	$ (8
Net loss per share:				
Basic and diluted net loss before cumulative effect of accounting change	$ (0.04)	$ (0.03)	$ (0.07)	$ (
Cumulative effect of accounting change	--	--	--	(
Basic and diluted net loss	$ (0.04)	$ (0.03)	$ (0.07)	$ (
Weighted average common shares outstanding	77,444	72,779	76,836	72

The accompanying notes are an integral part of these statements.

CYTOGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts in thousands)
(Unaudited)

	Six Months Ended June	
	2001	20
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,739)	$ (8,
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	580	
Imputed interest	(22)	
Stock based compensation	257	
Amortization of deferred revenue	(430)	(
Cumulative effect of accounting change	--	4,
Gain on sale of equipment	--	(
Changes in assets and liabilites:		
Accounts receivable, net	(348)	(
Inventories	(979)	(
Other assets	830	(
Accounts payable and accrued liabilities	(1,219)	(
Other liabilities	--	
Total adjustments	(1,331)	3,
Net cash used in operating activities	(7,070)	(5,

CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sale of equipment	--	
Purchases of property and equipment	(303)	(
Net cash used in investing activities	(303)	(
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	14,201	3,
Redemption of short-term investments	--	1,
Payment of long-term liabilities	(108)	
Net cash provided by financing activities	14,093	5,
Net increase (decrease) in cash and cash equivalents	6,720	(
Cash and cash equivalents, beginning of period	11,993	10,
Cash and cash equivalents, end of period	$ 18,713	$ 10,

The accompanying notes are an integral part of these statements.

CYTOGEN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company

Cytogen Corporation ("Cytogen" or the "Company") is a biopharmaceutical company with an established and growing product line in prostate cancer and other areas of oncology, and a leadership position in proteomics research designed to accelerate drug discovery and development. In oncology, FDA-approved products include ProstaScint(R) (a monoclonal antibody-based imaging agent used to image the extent and spread of prostate cancer); BrachySeed(TM) (a uniquely designed next-generation radioactive seed implant for the treatment of localized prostate cancer), Quadramet(R) (a therapeutic agent marketed for the relief of bone pain in prostate and other types of cancer), and OncoScint CR/OV(R) (a monoclonal antibody-based imaging agent for colorectal and ovarian cancer). Cytogen is evolving a pipeline of oncology product candidates by exploiting its prostate specific membrane antigen, or PSMA, technologies, which are exclusively licensed from Memorial Sloan-Kettering Cancer Center. In addition, Cytogen plans to use AxCell's proteomics technology to research and develop novel drug targets independently or via collaborative ventures.

AxCell Biosciences, a subsidiary of Cytogen Corporation, is a leader in the effort to chart protein signaling pathways in the human proteome as a means of discovering new drug targets. In conjunction with InforMax, AxCell is developing a proprietary protein pathway database, ProChart(TM), as a discovery and development tool for subscribers in the pharmaceutical, biotechnology and

agricultural industries. AxCell is also seeking to develop alliances for the development of custom protein pathway information utilizing its proprietary Genetic Diversity Library(TM), Cloning of Ligant Targets(TM), and affinity screening technologies.

Basis of Consolidation

The consolidated financial statements include the accounts of Cytogen and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements and notes thereto of Cytogen are unaudited and include all adjustments, which in the opinion of management, are necessary to present fairly the financial condition and results of operations as of and for the periods set forth in the Consolidated Balance Sheets, Consolidated Statements of Operations and Consolidated Statements of Cash Flows.

All such accounting adjustments are of a normal, recurring nature. The consolidated financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission, which includes financial statements as of and for the year ended December 31, 2000. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for any other interim period or for a full year.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and all highly-liquid investments with a maturity of three months or less at the time of purchase.

Net Loss Per Share

Basic net loss per share is based upon the weighted average common shares outstanding during each period. Diluted net loss per share is the same as basic net loss per share, as the inclusion of common stock equivalents would be antidilutive.

Inventories

The Company's inventories are primarily related to ProstaScint and OncoScint CR/OV. Inventories are stated at the lower of cost or market using the first-in, first-out method and consisted of the following:

	June 30, 2001	December 31, 2000
Raw materials.....	$1,370,000	$718,000

Work-in process.....	135,000	59,000
Finished goods.....	357,000	106,000
	$1,862,000	$883,000

Revenue Recognition

Effective January 1, 2000, the Company adopted U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"), which requires up-front, non-refundable license fees to be deferred and recognized over the performance period. The cumulative effect of adopting SAB 101 resulted in a one-time, non-cash charge of $4.3 million or $0.06 per share, which reflects the deferral of an up-front license fee received from Berlex Laboratories, Inc., net of associated costs, related to the licensing of Quadramet recognized in October 1998 and a license fee for certain

applications of PSMA to a joint venture formed by Cytogen and Progenics Pharmaceuticals Inc. recognized in June 1999. Previously, the Company had recognized up-front license fees when the Company had no obligations to return the fees under any circumstances. Under SAB 101, these payments are recorded as deferred revenue to be recognized over the remaining term of the related agreements.

2. SALES OF CYTOGEN COMMON STOCK:

Under the terms of a $70 million equity financing facility (the "Equity Financing Facility") entered into between the Company and Acqua Wellington North American Equities Fund, Ltd. ("Acqua Wellington") in October 2000, Cytogen may, at its discretion, sell shares of its common stock to Acqua Wellington at a small discount to the market price. Pursuant to this Equity Financing Facility, in February 2001, the Company sold to Acqua Wellington 1,276,557 shares of its common stock at an aggregate price of $6.5 million or $5.092 per share.

In June 2001, the Company entered into a Share Purchase Agreement (the "Agreement") with the State of Wisconsin Investment Board ("SWIB"), pursuant to which the Company sold 1,820,000 shares of Cytogen common stock to SWIB for an aggregate purchase price of $8.2 million, before transaction costs, or $4.50 per share. In connection with the Agreement, the Company discontinued the use of the Equity Financing Facility.

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

The following discussion contains historical information as well as forward looking statements that involve a number of risks and uncertainties. Statements

contained or incorporated by reference in this Quarterly Report on Form 10-Q that are not based on historical fact are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Generally, forward looking statements can be identified by the use of phrases like "believe", "expect", "anticipate", "plan", "may", "will", "could", "estimate", "potential", "opportunity" and "project" and similar terms. The Company's actual results could differ materially from the Company's historical results of operations and those discussed in the forward looking statements. Factors that could cause actual results to differ materially, include, but are not limited to those identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 under the caption "Additional Factors That May Affect Future Results". Investors are cautioned not to put undue reliance on any forward looking statement.

Cautionary Statement

In addition to the risks discussed under the caption referred to above, among other factors that could cause actual results to differ materially from expected results are the following: (i) the Company's ability to access the capital markets in the near term and in the future for continued funding of existing projects and for the pursuit of new projects; (ii) the ability to attract and retain personnel needed for business operations and strategic plans; (iii) the timing and results of clinical studies, and regulatory approvals; (iv) market acceptance of the Company's products, including programs designed to facilitate use of the products, such as the Partners in Excellence or PIE Program; (v) demonstration over time of the efficacy and safety of the Company's products; (vi) the degree of competition from existing or new products; (vii) the decision by the majority of public and private insurance carriers on whether to reimburse patients for the Company's products; (viii) the ability of the Company to comply with applicable governmental regulations and changes thereto; (ix) the profitability of its products; (x) the ability to attract, and the ultimate success of, strategic partnering arrangements, collaborations, and acquisition candidates; (xi) the ability of the Company and its partners to identify new products as a result of those collaborations that are capable of achieving FDA approval, that are cost-effective alternatives to existing products and that are ultimately accepted by the key users of the product; (xii) the success of the Company in obtaining marketing approvals for its products in Canada and Europe; (xiii) the ability of the Company to protect its proprietary technology, trade secrets or know-how under the patent and other intellectual property laws of the United States and other countries; and (xiv) the ability of Advanced Magnetics Inc. to satisfy the conditions specified by the FDA regarding approval to market Combidex in the United States.

The following discussion and analysis should be read in conjunction with the Financial Statements and related notes thereto contained elsewhere herein, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and from time to time the Company's other filings with the Securities and Exchange Commission.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results Of Operations (Cont'd)

Significant Events in 2001

In the first half of 2001, the Company launched the iodine version of

BrachySeed(TM), a second generation radioactive implant for treatment of localized prostate cancer, which was in-licensed by the Company from Draximage, Inc. The Company expects to introduce, in the second half of 2001, the palladium version of BrachySeed, a uniquely designed next generation radioactive seed implant, which recently received marketing clearance from the U.S. Food and Drug Administration. The Company is utilizing its existing oncology sales force to market BrachySeed. There can be no assurance, however, as to the market acceptance of these products or whether these products will significantly increase the revenues of the Company.

AxCell Biosciences Corporation, a subsidiary of the Company, began marketing the ProChart database with its marketing partner InforMax, Inc. ProChart is a proprietary protein pathway database which measures protein domain-ligand interactions in a high-throughput manner. ProChart will be marketed by InforMax using its Protein-Protein Interaction module, a new addition to GenoMax(TM) enterprise software package. AxCell launched its ProChart database product with is marketing partner, InforMax, in the second quarter of 2001. There can be no assurance, however, as to the market acceptance of this product or whether this product will significantly increase the revenues for the Company.

Results of Operations

Three Months Ended June 30, 2001 and 2000

Revenues. Total revenues for the second quarter of 2001 were $2.8 million compared to $2.4 million for the same period in 2000. The increase from the prior year period is due to higher product related revenues, partially offset by lower license and contract revenues. Product related revenues, which included product sales and royalties, accounted for 91% of total revenues in 2001, compared to 87% from the comparable period of 2000. License and contract revenues accounted for the remainder of revenues in such periods.

Product related revenues for the second quarter of 2001 were $2.6 million compared to $2.1 million for the same period in 2000. Sales of ProstaScint accounted for 69% and 70% of product related revenues in the second quarters of 2001 and 2000, respectively, while Quadramet royalties accounted for 23% and 24% of product related revenues, respectively, for such periods. Sales of ProstaScint were approximately $1.8 million in the second quarter of 2001, $277,000 higher than the $1.5 million recorded in the second quarter of 2000, due primarily to a price increase which became effective in January 2001 and secondarily, to an increase in sales volume. Beginning in July 2000, the Company assumed sole responsibility for selling and marketing ProstaScint from Bard Urological Division of the C.R. Bard Inc. ("Bard"), its former co-marketing partner. The Company took this step because it believed that a highly trained and dedicated internal sales force will be able to market its products most effectively and to build a marketing capability for BrachySeed and future products. The Company cannot be certain, however, as to the effect on sales of ProstaScint and the BrachySeed products as a result of this action.

Other revenues include sales of OncoScint CR/OV, which were $142,000 in the second quarter of 2001 compared to $130,000 in the same period of 2000. The market for OncoScint CR/OV for colorectal cancer diagnosis has been negatively affected by positron emission tomography or "PET" scans which have shown the

same or higher sensitivity than OncoScint CR/OV. Sales of BrachySeed have not been substantial to date, since the product is still in the initial launch phase.

Quadramet royalties for the second quarter of 2001 increased to $595,000 from $508,000 in the same period of 2000. Quadramet is currently marketed by the Company's marketing partner, Berlex Laboratories ("Berlex"). Although Cytogen believes that Berlex is an advantageous partner, there can be no assurance that Quadramet will achieve greater market penetration on a timely basis or result in significant revenues for Cytogen.

License and contract revenues for the second quarter of 2001 were $257,000 compared to $305,000 for the same period of 2000. As a result of the adoption of SAB 101 (see Note 1 to the Consolidated Financial Statements), license revenues for both 2000 and 2001 include the recognition of $215,000 of deferred revenues from certain up-front, non-refundable license fees previously recognized in prior years.

Operating Expenses. Total operating expenses for the second quarter of 2001 were $6.0 million compared to $5.0 million recorded in the same quarter of 2000. The increase from the prior year period is attributable primarily to additional funding for the proteomics research program, costs associated with the development of new manufacturing and purification processes for the Company's currently marketed antibody products, the expansion of Cytogen's in-house sales force to assume sole responsibility of marketing and sales of the Company's products and the 2001 launch of BrachySeed. The increase is partially offset by lower cost of goods in the second quarter of 2001.

Cost of product for the second quarter of 2001 was $622,000 compared to $981,000 recorded in the same period of the prior year. The decrease from the prior year period is due to favorable production yields resulting in lower manufacturing costs, partly offset by increased costs associated with higher sales.

Research and development expenses for the second quarter of 2001 were $2.5 million compared to $1.5 million recorded in the same period of 2000. The increase from the prior year period is due to increased funding for the proteomics research program and to costs associated with the development of new manufacturing and purification processes to enable the Company to outsource the manufacturing of its currently marketed antibody products. During the second quarter of 2001, the Company invested $1.2 million in the proteomics research compared to $713,000 for the second quarter of 2000. The Company anticipates that funding for this research and the manufacturing process development will continue to increase over the remainder of this year.

Selling and marketing expenses were $1.6 million for the second quarter of 2001 compared to $1.3 million in the same period of 2000. The current year expenses reflect the Company's efforts to expand its in-house sales force and the assumption of sole responsibility for the selling and marketing of ProstaScint from Bard and the launch costs associated with BrachySeed.

General and administrative expenses for the second quarter 2001 were $1.3 million compared to $1.1 million for the comparable period in 2000. The increase from the prior year period is due in part to stock based compensation for employees and professional fees.

Interest Income/Expense. Interest income for the second quarter of 2001 was $156,000 compared to $195,000 recorded in the same period of 2000. The decrease from the prior year period is due to a lower average yield on investments for the periods in 2001. Interest expense for the second quarter of 2001 was $44,000 compared to $52,000 recorded in the same period of 2000. The interest expenses included finance charges related with various equipment leases.

Net Loss. Net loss for the second quarter of 2001 was $3.1 million compared to $2.4 million recorded in the same period of 2000. The net loss per share for the first quarter of 2001 was $0.04 based on average common shares outstanding of 77.4 million compared to a net loss per share of $0.03 based on average common shares outstanding of 72.8 million for the same period in 2000.

Six months ended June 30, 2001 and 2000

Revenues. Total revenues for the first half of 2001 and 2000 were $5.8 million and $5.1 million, respectively. The increase from the prior year period is due to higher product related revenues, partially offset by lower license and contract revenues. Product related revenues, which included product sales and royalties, accounted for 92% of total revenues in 2001 compared to 89% from the comparable period of 2000. License and contract revenues accounted for the remainder of revenues.

Product related revenues for the first half of 2001 and 2000 were $5.4 million and $4.5 million, respectively. Sales of ProstaScint accounted for 75% and 71% of product related revenues in the first half of 2001 and 2000, respectively, while Quadramet royalties accounted for 19% and 22% of product related revenues, respectively. Sales of ProstaScint were $4.0 million in the first half of 2001 compared to $3.2 million in the same period of 2000, due primarily to a price increase which became effective in January 2001 and secondarily, to an increase in sales volume. Beginning in July 2000, the Company assumed sole responsibility for the selling and marketing of ProstaScint from Bard. Royalties from Quadramet were $1.0 million in each of the first half of 2001 and 2000. Quadramet royalties are based on net sales of Quadramet by Berlex.

Other revenues include sales of OncoScint CR/OV which were $223,000 in 2001 compared to $307,000 in the same period of 2000. The market for OncoScint CR/OV for colorectal cancer diagnosis has been negatively affected by positron emission tomography or "PET" scans which have shown the same or higher sensitivity than OncoScint CR/OV. Sales of BrachySeed have not been substantial to date, since the product is still in the initial launch phase.

License and contract revenues for the first half of 2001 and 2000 were $472,000 and $578,000, respectively. As a result of the adoption of SAB 101 (see Note 1 to the Consolidated Financial Statements), license revenues for both 2001 and 2000 include the recognition of $420,000 of deferred revenues from certain up-front non-refundable license fees previously recognized in prior years.

Operating Expenses. Total operating expenses for the first half of 2001 were $11.8 million compared to $9.5 million recorded in the same quarter of 2000. The increase from the prior year period is attributable primarily to the additional funding for the proteomics research program, costs associated with

the development of new manufacturing and purification processes for the Company's currently marketed antibody products, the expansion of Cytogen's in-house sales force to assume sole responsibility of marketing and sales of ProstaScint and the 2001 launch of BrachySeed.

Cost of product for the first half of 2001 was $1.8 million compared to $1.9 million recorded in the same period of the prior year. The decrease from the prior year period is due to favorable production yield resulting in lower manufacturing costs, partly offset by increased costs associated with higher sales.

Research and development expenses for the first half of 2001 were $4.2 million compared to $3.0 million recorded in the same period of 2000. The increase from the prior year period is due to increased funding for the proteomics research program and costs associated with the development of new manufacturing and purification processes to enable the Company to outsource manufacturing of its currently marketed antibody products to another contract manufacturer. During the first half of 2001, the Company invested $2.4 million in the proteomics research compared to $1.3 million for the same period of 2000. The Company anticipates that funding for this research and manufacturing process development will continue to increase over the remainder of this year.

Selling and marketing expenses were $3.3 million for the first half of 2001 compared to $2.5 million in the same period of 2000. The current year expenses reflect the Company's efforts to expand its in-house sales force and the assumption of sole responsibility for the selling and marketing of ProstaScint from Bard and the launch costs associated with BrachySeed.

General and administrative expenses for the first half of 2001 were $2.5 million compared to $2.1 million for the comparable period in 2000. The increase from the prior year period is due in part to stock based compensation for employees and professional fees.

Interest Income/Expense. Interest income for the first half of 2001 was $377,000 compared to $363,000 recorded in the same period of 2000. The increase from the prior year period is due to a higher average cash balance during 2001, partly offset by a lower average yield on investments. Interest expense for the first half of 2001 was $92,000 compared to $109,000 recorded in the same period of 2000. The interest expenses included finance charges related with various equipment leases.

Net Loss. Net loss for the first half of 2001 was $5.7 million compared to $8.4 million recorded in the same period of 2000. The net loss per share for the first half of 2001 was $0.07 based on average common shares outstanding of 76.8 million compared to a net loss per share of $0.12 based on average common shares outstanding of 72.1 million for the same period in 2000. The 2000 net loss included $4.3 million or $0.06 per share for the cumulative effect of accounting change as a result of the adoption of SAB 101 (see Note 1 to the Consolidated Financial Statements).

Liquidity and Capital Resources

The Company's cash and cash equivalents were $18.7 million as of June 30, 2001, compared to $12.0 million as of December 31, 2000. The cash used for operating activities for the six months ended June 30, 2001 was $7.1 million

compared to $5.2 million in the same period of 2000. The increase from the prior year period is due primarily to the increased funding for the proteomics program at AxCell, the Company's efforts to expand its in-house sales force, the inventory build-up of the Company's anti-body products, the reduction in accounts payable and accrued liabilities and milestone payments related to the 2001 launch of BrachySeed.

Historically, the Company's primary sources of cash have been proceeds from the issuance and sale of its stock through public offerings and private placements, product related revenues, revenues from research services, fees received under license agreements and interest earned on cash and short-term investments.

In January 2001, the Company received cash of $1.6 million relating to the December 2000 sale of New Jersey State net operating losses and research and development credits. Under the current legislation, the Company may be able to sell a minimum $977,000 of the remaining approved $3.7 million of tax benefits in 2001. The actual amount of tax credits the Company may sell will depend upon the allocation among qualifying companies of an annual pool established by the State of New Jersey.

Under the terms of a $70 million equity financing facility (the "Equity Financing Facility") entered into between the Company and Acqua Wellington North American Equities Fund, Ltd. ("Acqua Wellington") the Company sold to Acqua Wellington 1,276,557 shares of its common stock in February 2001 at an aggregate price of $6.5 million or $5.092 per share.

In June 2001, the Company entered into a Share Purchase Agreement (the "Agreement") with the State of Wisconsin Investment Board ("SWIB"), pursuant to which the Company sold 1,820,000 shares of Cytogen common stock to SWIB for an aggregate purchase price of $8.2 million before transaction costs or $4.50 per share. In connection with the Agreement, the Company discontinued the use of the Equity Financing Facility.

The Company's capital and operating requirements may change depending upon various factors, including: (i) whether the Company and its strategic partners achieve success in manufacturing, marketing and commercialization of its products; (ii) the amount of resources which the Company devotes to clinical evaluations and the expansion of marketing and sales capabilities; (iii) results

of clinical trials and research and development activities; and (iv) competitive and technological developments, in particular the Company may expend funds for development of its proteomics and PSMA technologies.

The Company's financial objectives are to meet its capital and operating requirements through revenues from existing products and licensing arrangements. To achieve its strategic objectives, the Company may enter into research and development partnerships and acquire, in-license and develop other technologies, products or services. Certain of these strategies may require payments by the Company in either cash or stock in addition to the costs associated with developing and marketing a product or technology. However, the Company believes that, if successful, such strategies may increase long-term revenues. There can be no assurance as to the success of such strategies or that resulting funds will be sufficient to meet cash requirements until product revenues are sufficient to cover operating expenses, if ever. To fund these strategic and

operating activities, the Company may sell equity or debt securities as market conditions permit or enter into credit facilities.

The Company has incurred negative cash flows from operations since its inception, and has expended, and expects to continue to expend in the future, substantial funds to implement its planned product development efforts, including acquisition of products and complementary technologies, research and development, clinical studies and regulatory activities, and to further its marketing and sales programs. The Company expects that its existing capital resources should be adequate to fund the Company's operations for the foreseeable future. The Company cannot be certain that it will not consume a significant amount of its currently available resources and reasonably expects that it will have additional requirements for debt or equity capital, irrespective of whether and when it reaches profitability, for further product development costs, product and technology acquisition costs, and working capital.

The Company's future capital requirements and the adequacy of available funds will depend on numerous factors, including the successful commercialization of its products, the costs associated with the acquisition of complementary products and technologies, progress in its product development efforts, the magnitude and scope of such efforts, progress with clinical trials, progress with regulatory affairs activities, the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights, competing technological and market developments, and the expansion of strategic alliances for the sales, marketing, manufacturing and distribution of its products. To the extent that the currently available funds and revenues are insufficient to meet current or planned operating requirements, the Company will be required to obtain additional funds through equity or debt financing, strategic alliances with corporate partners and others, or through other sources. There can be no assurance that the financial sources described above will be available when needed or at terms commercially acceptable to the Company. If adequate funds are not available, the Company may be required to delay, further scale back or eliminate certain aspects of its operations or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates, products or potential markets. If adequate funds are not available, the Company's business, financial condition and results of operations will be materially and adversely affected.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company does not have operations subject to risks of foreign currency fluctuations, nor does it use derivative financial instruments in its operations or investment portfolio. The Company does not have exposure to market risks associated with changes in interest rates, as it has no variable interest rate debt outstanding. The Company does not believe it has any other material exposure to market risks associated with interest rates.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to the Vote of Security Holders

On June 19, 2001, the Company held its annual meeting of stockholders to (i) elect seven directors; (ii) to consider and vote upon a proposal to amend the Company's 1999 Non-Employee Director Stock Option Plan (the "Director Plan") to: (a) increase the number of shares of common stock underlying automatic initial option grants under the Director Plan to new non-employee Directors from 10,000 to 20,000 shares; and (b) provide, in certain circumstances, at the discretion of and after formal action by the Board of Directors, for the issuance of common stock under the Director Plan to Directors, in lieu of the cash component of Director compensation; (iii) to consider and vote upon a proposal to amend the Company's Employee Stock Purchase Plan (the "ESPP") to: (a) decrease, from one year to six months, the term of service required to be eligible to participate therein; and (b) delete the requirement for stockholder approval of any modification of the ESPP with respect to eligibility for participation in the ESPP; and (iv) transact such other business as might be brought up before the meeting.

The following tables set forth information regarding the number of votes cast for, against or withheld, abstentions and broker non-votes, with respect to each matter presented at the meeting. Under the rules of the Nasdaq Stock Market, brokers who hold shares in street name for customers who are beneficial owners of those shares may be prohibited from giving a proxy to vote shares held for such customers on certain matters without specific instructions from such customers (broker non-votes). Under Delaware law, abstentions and broker non-votes are counted as shares represented at the meeting for purposes of determining the presence or absence of a quorum at a stockholders meeting. The election of directors is decided by a plurality of the votes cast. Therefore, votes that are withheld have no effect on the outcome of the vote. Adoption of the remaining proposal required the affirmative vote of a majority of shares cast at the meeting. Therefore, abstentions and broker non-votes have no effect on the vote.

(i) Election of Directors:

Nominee	For	Against or Withheld	Abstentions	Broker Non-Vote
John E. Bagalay Jr.	69,199,289	1,689,592	N/A	N/A
Stephen K. Carter	70,294,440	594,441	N/A	N/A
James A. Grigsby	70,092,568	796,313	N/A	N/A
Robert F. Hendrickson	70,301,703	587,178	N/A	N/A
Kevin G. Lokay	70,320,129	568,752	N/A	N/A
S. Leslie Misrock	69,462,716	1,426,165	N/A	N/A
H. Joseph Reiser	65,873,699	5,015,182	N/A	N/A

(ii) Proposal to amend the Director Plan to: (a) increase the number of shares of common stock underlying automatic initial option grants under the Director Plan to new non-employee Directors from 10,000 to 20,000 shares; and (b) provide, in certain

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circumstances, at the discretion of and after formal action by the Board of Directors, for the issuance of common stock under the Director Plan to Directors, in lieu of the cash component of

Director compensation.

For	Against or Withheld	Abstentions	Broker Non-Vote
64,646,134	5,929,563	313,184	N/A

(iii) Proposal to amend the ESPP to: (a) decrease, from one year to six months, the term of service required to be eligible to participate therein; and (b) delete the requirement for stockholder approval of any modification of the ESPP with respect to eligibility for participation in the ESPP.

For	Against or Withheld	Abstentions	Broker Non-Vote
68,616,728	1,948,291	323,862	N/A

Item 5 - Other Information

Change in Executive Officers

On June 8, 2001, the Company announced that William Goeckeler, Ph.D., was appointed as Vice President, Research and Development.

The Company also announced on June 8, 2001, that Terry Novak, the Company's Vice President, Sales and Marketing, resigned his position with the Company.

Resignation of Director

On July 18, 2001, S. Leslie Misrock resigned from his position as a member of the Company's Board of Directors due to health reasons.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits:

10.1- Share Purchase Agreement, dated June 18, 2001, by and between the Company and the State of Wisconsin Investment Board. Filed as an exhibit to the Company's Current Report on Form 8-K dated June 18, 2001 and incorporated herein by reference.

(b) Reports on Form 8-K

During the three months ended June 30, 2001, the Company filed with the Securities and Exchange Commission one Current Report on Form 8-K. Such Form 8-K dated June 18, 2001, reported

on "Item 5. Other Events" that on June 18, 2001, the Company

entered into a Share Purchase Agreement with the State of Wisconsin Investment Board relating to the issuance and sale of 1,820,000 shares of the Company's Common Stock for an aggregate purchase price of approximately $8.2 million.

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.

CYTOGEN CORPORATION

Date August 13, 2001 ----------

By /s/ H. Joseph Reiser

H. Joseph Reiser
President and Chief Executive Officer

Date August 13, 2001 ----------

By /s/ Lawrence R. Hoffman

Lawrence R. Hoffman
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)