PROGENICS PHARMACEUTICALS INC
Form 10-Q
August 08, 2014

UNITED STATES
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, 2014
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 No. 000-23143

PROGENICS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3379479
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

777 Old Saw Mill River Road
Tarrytown, NY 10591
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (914) 789-2800

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of August 4, 2014, a total of 69,555,634 shares of common stock, par value $.0013 per share, were outstanding.

PROGENICS PHARMACEUTICALS, INC.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

PROGENICS PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except for par value and share amounts)

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 85,347	$65,860
Accounts receivable, net	1,468	2,879
Other current assets	1,943	1,943
Total current assets	88,758	70,682
Auction rate securities	2,208	2,208
Fixed assets, at cost, net of accumulated depreciation and amortization	2,203	2,413
Intangible assets, net (Note 5)	31,377	31,379
Goodwill	7,702	7,702
Other assets	157	157
Total assets	$ 132,405	$114,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,237	$6,512
Other current liabilities	115	115
Total current liabilities	4,352	6,627
Contingent consideration liability	16,600	15,700
Deferred tax liability – long term	12,320	12,321
Other liabilities	912	914
Total liabilities	34,184	35,562
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $.001 par value; 20,000,000 shares authorized; issued and outstanding – none	-	-
Common stock, $.0013 par value; 160,000,000 shares authorized; issued – 69,755,634 in 2014 and 61,025,404 in 2013	91	79
Additional paid-in capital	588,126	548,510
Accumulated deficit	(487,063)	(466,677)
Accumulated other comprehensive loss	(192)	(192)
Treasury stock, at cost (200,000 shares in 2014 and 2013)	(2,741)	(2,741)
Total stockholders' equity	98,221	78,979
Total liabilities and stockholders' equity	$ 132,405	$114,541

The accompanying notes are an integral part of these consolidated financial statements.

PROGENICS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except net loss per share)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Royalty income	$1,367	$1,176	$2,102	$2,333
Collaboration revenue	72	514	1,121	1,367
Research grants	0	77	0	275
Other revenues	38	34	69	52
Total revenues	1,477	1,801	3,292	4,027
Expenses:				
Research and development	7,848	9,585	14,767	18,300
License fees – research and development	180	153	270	223
Royalty expense	147	119	229	235
General and administrative	4,256	3,899	8,161	8,219
Depreciation and amortization	133	318	277	595
Total expenses	12,564	14,074	23,704	27,572
Operating loss	(11,087)	(12,273)	(20,412)	(23,545)
Other income:				
Interest income	13	10	25	24
Total other income	13	10	25	24
Net loss before income tax benefit	(11,074)	(12,263)	(20,387)	(23,521)
Income tax benefit	1	-	1	-
Net loss	$(11,073)	$(12,263)	$(20,386)	$(23,521)
Net loss per share – basic and diluted	$(0.17)	$(0.24)	$(0.31)	$(0.46)
Weighted-average shares – basic and diluted	63,743	51,481	66,775	50,802

The accompanying notes are an integral part of these consolidated financial statements.

PROGENICS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(amounts in thousands)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss	$(11,073)	$(12,263)	$(20,386)	$(23,521)
Other comprehensive income:				
Net change in unrealized loss on auction rate securities	-	60	-	68
Total other comprehensive income	-	60	-	68
Comprehensive loss	$(11,073)	$(12,203)	$(20,386)	$(23,453)

The accompanying notes are an integral part of these consolidated financial statements.

PROGENICS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(amounts in thousands)
(Unaudited)

	Common Stock		Additional Paid-In		Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Accumulated Deficit	Income (Loss)	Shares	Amount	Total
Balance at December 31, 2013	61,025	$ 79	$548,510	$(466,677)	$ (192)	(200)	$(2,741)	$78,979
Net loss	-	-	-	(20,386)	-	-	-	(20,386)
Compensation expenses for share-based payment arrangements	-	-	2,251	-	-	-	-	2,251
Sale of common stock in public offering, net of underwriting discounts and commissions ($2,415) and offering expenses ($376)	8,750	12	37,447	-	-	-	-	37,459
Acquisition of subsidiary escrow shares returned	(19)	-	(82)	-	-	-	-	(82)
Balance at June 30, 2014	69,756	$ 91	$588,126	$(487,063)	$ (192)	(200)	$(2,741)	$98,221

	Common Stock		Additional Paid-In		Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Accumulated Deficit	Income (Loss)	Shares	Amount	Total
Balance at December 31, 2012	46,765	$ 61	$493,613	$(424,105)	$ (260)	(200)	$(2,741)	$66,568
Net loss	-	-	-	(23,521)	-	-	-	(23,521)
Other comprehensive income	-	-	-	-	68	-	-	68
Compensation expenses for share-based payment arrangements	-	-	2,099	-	-	-	-	2,099
Acquisition of subsidiary, net of issuance costs	4,472	6	11,214	-	-	-	-	11,220
Sale of common stock in public offering, net of underwriting discounts and commissions ($2,244) and offering expenses ($314)	8,500	11	34,832	-	-	-	-	34,843
Exercise of stock options	1	-	3	-	-	-	-	3
Balance at June 30, 2013	59,738	$ 78	$541,761	$(447,626)	$ (192)	(200)	$(2,741)	$91,280

The accompanying notes are an integral part of these consolidated financial statements.

PROGENICS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$(20,386)	$(23,521)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	277	595
(Gains) losses on sales of fixed assets	(73)	259
Deferred income tax	(1)	-
Change in contingent consideration liability	900	-
Expenses for share-based compensation awards	2,251	2,099
Acquisition of subsidiary escrow shares returned	(82)	-
Changes in assets and liabilities:		
Decrease in accounts receivable	1,411	5,744
Decrease in other current assets	-	812
(Decrease) in accounts payable and accrued expenses	(2,275)	(2,508)
(Decrease) in deferred revenue - current	-	(780)
(Decrease) in other liabilities	(2)	(163)
Net cash used in operating activities	(17,980)	(17,463)
Cash flows from investing activities:		
Cash acquired in acquisition of subsidiary	-	1,888
Capital expenditures	(68)	(47)
Proceeds from sales of fixed assets	76	104
Proceeds from redemption of auction rate securities	-	1,100
Net cash provided by investing activities	8	3,045
Cash flows from financing activities:		
Equity issuance costs in connection with acquisition of subsidiary	-	(45)
Proceeds from public offering of common stock, net of underwriting discounts and commissions and offering expenses	37,459	34,843
Proceeds from the exercise of stock options	-	3
Net cash provided by financing activities	37,459	34,801
Net increase in cash and cash equivalents	19,487	20,383
Cash and cash equivalents at beginning of period	65,860	58,838
Cash and cash equivalents at end of period	$85,347	$79,221
Supplemental disclosure of cash flow information:		
Contingent consideration liability		$15,900
Stock acquisition consideration		$11,265

The accompanying notes are an integral part of these consolidated financial statements.
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PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)
1. Interim Financial Statements

Progenics Pharmaceuticals, Inc. (Progenics, we or us) develops innovative medicines for oncology. Our clinical development efforts center on late-stage oncology assets. We are conducting a phase 2 clinical trial of our therapeutic candidate for prostate cancer, PSMA ADC, a fully human monoclonal antibody-drug conjugate (ADC), and have recently completed patient dosing in a phase 2 trial of 1404 (trofolastat), an imaging agent candidate also for prostate cancer. We are resuming a pivotal phase 2 clinical trial of Azedra™, our ultra-orphan radiotherapy candidate for pheochromocytoma, and expect to file an IND application for MIP-1095, a small molecule therapeutic candidate for prostate cancer, in the U.S. by the end of this year.

We have licensed our first commercial drug, Relistor® (methylnaltrexone bromide) subcutaneous injection for the treatment of opioid induced constipation (OIC), to Salix Pharmaceuticals, Inc., and have partnered other internally-developed or acquired compounds and technologies with third parties. We continue to consider opportunities for strategic collaborations, out-licenses and other arrangements with biopharmaceutical companies involving proprietary research, development and clinical programs, and may in the future also in-license or acquire additional oncology compounds and/or programs.

On July 10, the FDA informed us that Relistor for chronic non-cancer pain patients with OIC can be approved on the data included in Salix's 2011 supplemental New Drug Application (sNDA). The agency determined not to require additional clinical trials of the drug prior to approval of this expanded indication. Salix has submitted to the agency information required in its Appeal Response for final approval.

We fund our operations to a significant extent from capital-raising. Earlier this year, we raised $37.5 million in an underwritten public offering of 8.75 million shares of common stock, and entered into an agreement with an investment bank under which we may sell from time to time up to $50 million of our stock. In addition, our current principal sources of revenue from operations are royalty, commercialization milestone and revenue-sharing payments from Salix relating to Relistor. Royalty and milestone payments from Relistor depend on success in development and commercialization, which is dependent on many factors, including Salix's efforts, competition from drugs for the same or similar indications, and decisions by the FDA and other regulatory bodies.

Progenics commenced principal operations in 1988, became publicly traded in 1997 and throughout has been engaged primarily in research and development efforts, establishing corporate collaborations and related activities. Certain of our intellectual property rights are held by wholly owned subsidiaries. All of our operations are conducted at our facilities in Tarrytown, New York. We operate under a single research and development segment.

Funding and Financial Matters. At June 30, 2014 we held $85.35 million in cash and cash equivalents, an $8.69 million decrease from the first quarter-end, and a $19.49 million increase from $65.86 million at 2013 year-end. We expect that this amount will be sufficient to fund operations as currently anticipated beyond one year. We expect to require additional funding in the future, and if we are unable to conclude favorable collaboration, license, asset sale, capital raising or other financing transactions, we will have to reduce, delay or eliminate spending on some current operations, and/or reduce salary and other overhead expenses, to extend our remaining operations. We expect to continue to incur operating losses for the foreseeable near future.

Our interim Consolidated Financial Statements included in this report have been prepared in accordance with applicable presentation requirements, and accordingly do not include all information and disclosures necessary for a presentation of our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). In the opinion of management, these financial statements

reflect all adjustments, consisting primarily of normal recurring accruals necessary for a fair statement of results for the periods presented. The results of operations for interim periods are not necessarily indicative of the results for the full year. Our interim financial statements should be read in conjunction with the financial statements and notes thereto contained in our 2013 Annual Report on Form 10-K. The year-end consolidated balance sheet data in these financial statements were derived from audited financial statements, but do not include all disclosures required by GAAP. Certain amounts have been reclassified in prior period's financial statements to conform to the current presentation. This includes the reclassification of certain expenses for share-based compensation from research and development expenses to general and administrative expenses which had no effect on total expenses as previously reported.

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

2. Recently Issued Accounting Standards

In May, the FASB issued ASU No. 2014-09, which provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. This ASU provides that an entity should recognize revenue to depict transfers of promised goods or services to customers in amounts reflecting the consideration to which the entity expects to be entitled in the transaction by: (1) identifying the contract; (2) identifying the contract's performance obligations; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations; and (5) recognizing revenue when or as the entity satisfies the performance obligations. The ASU will be effective for annual reporting periods beginning after December 15, 2016, including interim periods. Early adoption is not permitted. The guidance permits companies to apply the requirements either retrospectively to all prior periods presented or in the year of adoption through a cumulative adjustment. We are evaluating the prospective impact of the pending adoption of this ASU on our consolidated financial statements.

3. Revenue Recognition

The Company recognizes revenue from all sources based on the provisions of the SEC's Staff Accounting Bulletin (SAB) No. 104 (SAB 104) and ASC 605 Revenue Recognition. Under ASC 605, delivered items are separate units of accounting, provided (i) the delivered items have value to a collaborator on a stand-alone basis, and (ii) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in our control. We recognize revenue for payments that are contingent upon performance solely by our collaborator immediately upon the achievement of the defined event if we have no related performance obligations. A separate update to ASC 605 provides guidance on the criteria that should be met when determining whether the milestone method of revenue recognition is appropriate.

There have been no changes to our revenue recognition accounting policies in 2014 to date. These policies are disclosed in Note 3 to the consolidated financial statements included in our 2013 Annual Report on Form 10-K.

Under our 2012 agreement with FUJIFILM RI Pharma for the development of 1404 in Japan, we recognized as revenue a $1.0 million payment contingent on execution of the first contract by Fuji with an investigation site for a phase I trial in the first quarter of 2014.

Under our agreement with CytoDyn Inc. for our PRO 140 program, and Molecular's out-license of its Onalta™ product candidate, we have received to date a total of $3.7 million in upfront payments and are eligible for future milestone and royalty payments. In consideration for the upfront payments, we have delivered relevant know-how (including patent rights), inventory and non-reimbursable services. In respect of these deliverables, which have a stand-alone value and represent separate units of accounting, we have recognized $0.9 million in the first two quarters of 2013.

4. Net Loss Per Share

Basic net loss per share amounts have been computed by dividing net loss by the weighted-average number of common shares outstanding during the period. For each of the periods presented below, we reported net losses and, accordingly, potential dilutive common shares were not included in the computation of diluted net loss per share since it would have been anti-dilutive. The calculations of net loss per share, basic and diluted, are as follows:

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

	Net Loss (Numerator)	Weighted Average Common Shares (Denominator) (in thousands)	Per Share Amount
Three months ended June 30, 2014			
Basic and diluted	$ (11,073)	63,743	$ (0.17)
Six months ended June 30, 2014			
Basic and diluted	$ (20,386)	66,775	$ (0.31)
Three months ended June 30, 2013			
Basic and diluted	$ (12,263)	51,481	$ (0.24)
Six months ended June 30, 2013			
Basic and diluted	$ (23,521)	50,802	$ (0.46)

For these periods, anti-dilutive common shares excluded from diluted per share amounts consist of the following:

	Three Months Ended June 30,			
	2014		2013	
	Number (in thousands)	Weighted Average Exercise Price	Number (in thousands)	Weighted Average Exercise Price
Options	6,261	$ 10.14	6,340	$ 11.62

	Six Months Ended June 30,			
	2014		2013	
	Number (in thousands)	Weighted Average Exercise Price	Number (in thousands)	Weighted Average Exercise Price
Options	6,066	$ 10.43	6,036	$ 11.97

5. In-Process Research and Development and Goodwill

The fair values of in-process research and development (IPR&D) acquired in business combinations are capitalized. The Company utilizes the "income method," which applies a probability weighting that considers the risk of development and commercialization to the estimated future net cash flows that are derived from projected sales revenues and estimated costs. These projections are based on factors such as relevant market size, patent protection, historical pricing of similar products and expected industry trends. The estimated future net cash flows are then discounted to the present value using an appropriate discount rate. This analysis is performed for each project independently. These assets are treated as indefinite-lived intangible assets until completion or abandonment of the projects, at which time the assets are amortized over the remaining useful life or written off, as appropriate. IPR&D intangible assets which are determined to have a decline in their fair value are adjusted downward and an expense is recognized as part of the general and administrative expenses in the Consolidated Statements of Operations. These are

tested at least annually or when a triggering event occurs that could indicate a potential impairment.

Goodwill represents excess consideration in a business combination over the fair value of identifiable net assets acquired. Goodwill is not amortized, but is subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. The Company determines whether goodwill may be impaired by comparing the fair value of the reporting unit, calculated as the product of shares outstanding and the share price as of the end of a period, to its carrying value. No goodwill impairment has been recognized as of June 30, 2014 or 2013. The Company has determined that it has only one reporting unit, which includes the acquired Molecular Insight.

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)
The following tables reflect the components of the finite lived intangible assets as of June 30, 2014 and December 31, 2013:

As of June 30, 2014	Gross Amount	Accumulated Amortization	Net Carrying Value
Finite lived intangible assets	$ 21	$ 4	$ 17
Total	$ 21	$ 4	$ 17

As of December 31, 2013	Gross Amount	Accumulated Amortization	Net Carrying Value
Finite lived intangible assets	$ 21	$ 2	$ 19
Total	$ 21	$ 2	$ 19

The weighted-average remaining life of the finite lived intangible assets was approximately five years at June 30, 2014 and December 31, 2013.

Amortization expense is calculated on a straight-line basis over the estimated useful life of the asset. Amortization expense for the three and six months ended June 30, 2014 was $1 and $2, respectively. Estimated amortization expense related to intangible assets existing as of June 30, 2014 is approximately $4 annually for each of the succeeding five years.

The following tables summarize the activity related to the Company's goodwill and indefinite lived IPR&D:

	Goodwill	IPR&D
Balance at January 1, 2014	$ 7,702	$31,360
Impairment	-	-
Balance at June 30, 2014	$ 7,702	$31,360

	Goodwill	IPR&D
Balance at January 1, 2013	$ -	$-
Increase related to acquisition	7,702	32,300
Balance at June 30, 2013	$ 7,702	$32,300

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

6. Fair Value Measurements

We record auction rate securities at fair value in the accompanying Consolidated Balance Sheets in accordance with ASC 320 Investments – Debt and Equity Securities. The change in the fair value of these investments is recorded as a component of other comprehensive loss (see Note 3. Summary of Significant Accounting Policies - Fair Value Measurements in the notes to consolidated financial statements included in our 2013 Annual Report on Form 10-K). We also record the contingent consideration liability resulting from the MIP acquisition at fair value in accordance with ASC 820-10-50.

The following tables present our money market funds and auction rate securities and contingent consideration liability measured at fair value on a recurring basis as of the dates indicated, classified by valuation hierarchy:

		Fair Value Measurements at June 30, 2014		
	Balance at June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$80,385	$80,385	$ -	$ -
Auction rate securities	2,208	-	-	2,208
Total Assets	$82,593	$80,385	$ -	$ 2,208
Liability:				
Contingent consideration	$16,600	$-	$ -	$ 16,600
Total Liability	$16,600	$-	$ -	$ 16,600

		Fair Value Measurements at December 31, 2013		
	Balance at December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 60,364	$60,364	$ -	$ -

Auction rate securities	2,208	-	-	2,208
Total Assets	$ 62,572	$ 60,364	$ -	$ 2,208
Liability:				
Contingent consideration	$ 15,700	$ -	$ -	$ 15,700
Total Liability	$ 15,700	$ -	$ -	$ 15,700

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

At June 30, 2014 we held $2,208 in auction rate securities which are classified as Level 3. The fair value of these securities includes U.S. government subsidized securities collateralized by student loan obligations, with maturities greater than 10 years. We will not realize cash in respect of the principal amount of these securities until the issuer calls or restructures the security, the security reaches any scheduled maturity and is paid, or a buyer outside the auction process emerges. We have to date received all scheduled interest payments on these securities, which, in the event of auction failure, are reset according to contractual terms in the governing instruments.

The valuation of auction rate securities we hold is based on Level 3 unobservable inputs which consist of our internal analysis of (i) timing of expected future successful auctions or issuer calls of the securities, (ii) collateralization of underlying assets of the security and (iii) credit quality of the security. Significant increases or decreases in the redemption period or discount rates would result in a significantly lower or higher, respectively, fair value measurement. The temporary impairment amount associated with these securities, the duration of which is greater than 12 months, remained unchanged from year-end 2013 at $192, which is reflected as part of accumulated other comprehensive loss on our accompanying Consolidated Balance Sheets. Based on our re-evaluation for this quarter, we continue to believe that we have the ability to hold these securities until recovery of fair value. Due to the uncertainty related to the liquidity in the auction rate security market and therefore when individual positions may be liquidated, we have classified these auction rate securities as long-term assets on our accompanying Consolidated Balance Sheets. We continue to monitor markets for our investments and consider the impact, if any, of market conditions on the fair market value of our investments. We do not believe the carrying values of our investments are other than temporarily impaired and therefore expect the positions will eventually be liquidated without significant loss.

The estimated fair value of the contingent consideration liability of $16.6 million as of June 30, 2014, represents future potential milestone payments to former MIP stockholders. The Company considers this liability a Level 3 instrument (one with significant unobservable inputs) in the fair value hierarchy. The estimated fair value was determined based on probability adjusted discounted cash flow and Monte Carlo simulation models that included significant estimates and assumptions pertaining to commercialization events and sales targets. The most significant unobservable inputs were the probabilities of achieving regulatory approval of the development projects and subsequent commercial success, and discount rates.

Significant changes in any of the probabilities of success would result in a significantly higher or lower fair value measurement, respectively. Significant changes in the probabilities as to the periods in which milestones will be achieved would result in a significantly lower or higher fair value measurement, respectively. The Company records the contingent consideration liability at fair value with changes in estimated fair values recorded in general and administrative expenses in the Consolidated Statements of Operations.

The following table presents quantitative information pertaining to the June 30, 2014 fair value measurement of the Level 3 inputs. The assumptions remained unchanged since December 31, 2013:

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

	Fair Value as of June 30, 2014	Fair Value as of December 31, 2013	Valuation Technique	Unobservable Input	Range (Weighted Average)
Asset:					
Auction rate securities	$2,208	$ 2,208	Discounted cash flow model	Redemption period	5 to 15 years (6 years)
				Discount rate	0.25% - 3.00% (1.55%)
Contingent consideration liability:					
Azedra commercialization	$2,400	$ 2,300	Probability adjusted discounted cash flow model	Probability of success	40%
				Period of milestone expected achievement	2017
				Discount rate	10%
1404 commercialization	$2,100	$ 2,000	Probability adjusted discounted cash flow model	Probability of success	31%
				Period of milestone expected achievement	2018
				Discount rate	10%
MIP-1095 commercialization	$500	$ 500	Probability adjusted discounted cash flow model	Probability of success	19%
				Period of milestone expected achievement	2021
				Discount rate	10%
Net sales targets	$11,600	$ 10,900	Monte-Carlo simulation	Probability of success	19% - 40% (32.8%)
				Period of milestone expected achievement	2018 - 2022
				Discount rate	12.5%

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

For those financial instruments with significant Level 3 inputs, the following table summarizes the activities for the periods indicated:

	Asset – Auction Rate Securities Fair Value Measurements Using Significant Unobservable Inputs (Level 3) For the Three Months Ended June 30,	
	2014	2013
Description		
Balance at beginning of period	$2,208	$3,148
Transfers into Level 3	-	-
Total realized/unrealized gains (losses)		
Included in net income (loss)	-	-
Included in other comprehensive income (loss)	-	60
Settlements	-	(1,000)
Balance at end of period	$2,208	$2,208
Total amount of unrealized gains (losses) for the period included in other comprehensive loss attributable to the change in fair market value of related assets still held at the reporting date	$-	$-

	Asset – Auction Rate Securities Fair Value Measurements Using Significant Unobservable Inputs (Level 3) For the Six Months Ended June 30,	
	2014	2013
Description		
Balance at beginning of period	$2,208	$3,240
Transfers into Level 3	-	-
Total realized/unrealized gains (losses)		
Included in net income (loss)	-	-
Included in other comprehensive income (loss)	-	68
Settlements	-	(1,100)

Balance at end of period	$2,208	$2,208
Total amount of unrealized gains (losses) for the period included in other comprehensive loss attributable to the change in fair market value of related assets still held at the reporting date	$-	$-

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

	Liability – Contingent Consideration Fair Value Measurements Using Significant Unobservable Inputs (Level 3) For the Three Months Ended June 30,	
	2014	2013
Description		
Balance at beginning of period	$16,200	$15,900
Fair value change to contingent consideration included in net loss	400	-
Balance at end of period	$16,600	$15,900
Changes in unrealized gains or losses for the period included in earnings (or changes in net assets) for liabilities held at the end of the reporting period	$400	$-

	Liability – Contingent Consideration Fair Value Measurements Using Significant Unobservable Inputs (Level 3) For the Six Months Ended June 30,	
	2014	2013
Description		
Balance at beginning of period	$15,700	$-
Fair value of contingent consideration – acquisition of Molecular Insight	-	15,900
Fair value change to contingent consideration included in net loss	900	-
Balance at end of period	$16,600	$15,900
Changes in unrealized gains or losses for the period included in earnings (or changes in net assets) for liabilities held at the end of the reporting period	$900	$-

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

7. Accounts Receivable

Accounts receivable represent amounts due to Progenics from collaborators, royalty obligations owing to us, and sales of research reagents, and at the below dates amounted to:

	June 30, 2014	December 31, 2013
Royalties	$1,397	$ 2,862
Collaborators	72	12
Other	9	12
	1,478	2,886
Less, allowance for doubtful accounts	(10)	(7)
Total	$1,468	$ 2,879

8. Accounts Payable and Accrued Expenses

The carrying value of our accounts payable and accrued expenses approximates fair value, as it represents amounts due to vendors and employees which will be satisfied within one year. Accounts payable and accrued expenses at the below dates amounted to:

	June 30, 2014	December 31, 2013
Accrued consulting and clinical trial costs	$1,939	$ 2,672
Accrued payroll and related costs	1,329	2,123
Restructuring accrual	49	-
Legal and professional fees	545	608
Accounts payable	186	793
Other	189	316
Total	$4,237	$ 6,512

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)
9. Restructuring

We incurred a $0.4 million headcount reduction restructuring obligation in the first quarter, of which $0.15 million was paid in the first quarter and $0.16 million was paid in the second. A first quarter 2013 headcount reduction resulted in a $1.5 million restructuring obligation paid that year. During the second quarter of 2013, we incurred other exit and contract termination costs, including in connection with termination of a Molecular facilities lease ($0.9 million) and amendment and consolidation of the Company's facilities lease ($0.5 million).

Activity in the restructuring accrual, which is included in accounts payable and accrued expenses in our Consolidated Balance Sheets and research and development and general and administrative expenses in the Consolidated Statements of Operations, is specified below.

	Severance and Related Benefits	Other Exit Costs	Contract Termination Costs	Total Restructuring Accrual
Balance at December 31, 2013	$ -	$ -	$ -	$ -
Additions, net	358	-	-	358
Payments	(146)	-	-	(146)
Balance at March 31, 2014	212	-	-	212
Additions, net	1	-	-	1
Payments	(164)	-	-	(164)
Balance at June 30, 2014	$ 49	$ -	$ -	$ 49

	Severance and Related Benefits	Other Exit Costs	Contract Termination Costs	Total Restructuring Accrual
Balance at December 31, 2012	$ 813	$ -	$ -	$ 813
Additions, net	1,477	-	-	1,477
Payments	(854)	-	-	(854)
Balance at March 31, 2013	1,436	-	-	1,436
Additions, net	15	15	1,359	1,389
Payments	(914)	(15)	(1,359)	(2,288)
Balance at June 30, 2013	$ 537	$ -	$ -	$ 537

PROGENICS PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)

10. Commitments and Contingencies

In the ordinary course of our business, we enter into agreements with third parties, such as business partners, clinical sites and suppliers, that include usual and customary indemnification provisions. We generally reciprocally agree to indemnify, hold harmless and reimburse indemnified parties for losses suffered or incurred with respect to products or product candidates, use of such products or other actions taken or omitted by the parties. The maximum potential amount of future payments we could be required to make under these indemnification provisions is frequently not limited. We have not incurred material costs to defend lawsuits or settle claims related to these provisions. As a result, the estimated fair value of liabilities relating to indemnification provisions is minimal. We have no liabilities recorded for these provisions as of June 30, 2014 and December 31, 2013.

Progenics is a party to a proceeding brought by a former employee complaining that the Company violated the anti-retaliation provisions of the federal Sarbanes-Oxley law by terminating the former employee. The Company believes the former employee's claims are without merit and is contesting the matter vigorously. The federal District Court hearing the case issued in July 2013 an order denying our motion for summary judgment dismissing the former employee's complaint, making it likely that the proceeding will continue to trial. Given the inherent uncertainty attendant to the proceeding, it is not possible at this time to estimate the likelihood or potential magnitude of any outcome, and we have accordingly not recorded any associated liability in these Consolidated Financial Statements.

Progenics in October 2013 commenced an arbitration with Ono Pharmaceuticals under the provisions of the parties' 2008 License Agreement, following a communication from Ono that it had determined to discontinue development of subcutaneous Relistor in Japan because of "commercial concerns" that Ono contended would permit it to cease development and terminate the Agreement. In May, Progenics terminated the Agreement based on Ono's material breach effective immediately, and the license grants, territory and other rights which reverted to Progenics from such termination are now licensed to Salix. The Company's arbitration with Ono is continuing.

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

Note Regarding Forward-Looking Statements

This document and other public statements we make may contain statements that do not relate strictly to historical fact, any of which may be forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When we use the words "anticipates," "plans," "expects" and similar expressions, we are identifying forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. While it is impossible to identify or predict all such matters, these differences may result from, among other things, the inherent uncertainty of the timing and success of, and expense associated with, research, development, regulatory approval and commercialization of our products and product candidates, including the risks that clinical trials will not commence or proceed as planned; products appearing promising in early trials will not demonstrate efficacy or safety in larger-scale trials; clinical trial data on our products and product candidates will be unfavorable; our products will not receive marketing approval from regulators or, if approved, do not gain sufficient market acceptance to justify development and commercialization costs; competing products currently on the market or in development might reduce the commercial potential of our products; we, our collaborators or others might identify side effects after the product is on the market; or efficacy or safety concerns regarding marketed products, whether or not originating from subsequent testing or other activities by us, governmental regulators, other entities or organizations or otherwise, and whether or not scientifically justified, may lead to product recalls, withdrawals of marketing approval, reformulation of the product, additional pre-clinical testing or clinical trials, changes in labeling of the product, the need for additional marketing applications, declining sales or other adverse events.

We are also subject to risks and uncertainties associated with the actions of our corporate, academic and other collaborators and government regulatory agencies, including risks from market forces and trends; potential product liability; intellectual property, litigation and other dispute resolution, environmental and other risks; the risk that we may not be able to enter into favorable collaboration or other relationships or that existing or future relationships may not proceed as planned; the risk that current and pending patent protection for our products may be invalid, unenforceable or challenged, or fail to provide adequate market exclusivity, or that our rights to in-licensed intellectual property may be terminated for our failure to satisfy performance milestones; the risk of difficulties in, and regulatory compliance relating to, manufacturing products; and the uncertainty of our future profitability.

Risks and uncertainties also include general economic conditions, including interest and currency exchange-rate fluctuations and the availability of capital; changes in generally accepted accounting principles; the impact of legislation and regulatory compliance; the highly regulated nature of our business, including government cost-containment initiatives and restrictions on third-party payments for our products; trade buying patterns; the competitive climate of our industry; and other factors set forth in this document and other reports filed with the U.S. Securities and Exchange Commission (SEC). In particular, we cannot assure you that Relistor® will be commercially successful or be approved in the future in other formulations, indications or jurisdictions, or that any of our other programs will result in a commercial product.

We do not have a policy of updating or revising forward-looking statements and we assume no obligation to update any statements as a result of new information or future events or developments. It should not be assumed that our silence over time means that actual events are bearing out as expressed or implied in forward-looking statements.

Overview

General. We are conducting a phase 2 clinical trial of our therapeutic candidate for prostate cancer, PSMA ADC, and have recently completed patient dosing in a phase 2 trial of 1404 (trofolastat), an imaging agent candidate also for prostate cancer. We are resuming a pivotal phase 2 trial of an ultra-orphan radiotherapy candidate for

pheochromocytoma and have determined to move MIP-1095, a small molecule therapeutic candidate for prostate cancer, into clinical development, and expect to file an IND application for it in the U.S. by the end of this year.

We have licensed our opioid-induced constipation drug, Relistor, to Salix Pharmaceuticals, and have partnered other internally-developed or acquired compounds and technologies with third parties. We continue to consider opportunities for strategic collaborations, out-licenses and other arrangements with biopharmaceutical companies involving proprietary research, development and clinical programs, and may in the future also in-license or acquire additional oncology compounds and/or programs.

On July 10, the FDA informed us that subcutaneous Relistor for chronic non-cancer pain patients with OIC can be approved on the data included in Salix's 2011 supplemental New Drug Application (sNDA). The agency determined not to require additional clinical trials of the drug prior to approval of this expanded indication.

The action followed an Advisory Committee convened by the FDA on June 11-12 in response to Salix's appeal of the agency's July 2012 Complete Response Letter on the sNDA. In its Appeal Response, the FDA directed Salix to submit to its Division of Gastroenterology and Inborn Errors Products proposed product labeling, updated safety data and a proposal for one or more post-marketing observational cohort studies designed to assess the relative incidence of Major Adverse Cardiovascular Events (MACE) among chronic non-cancer pain patients receiving Relistor versus a comparator cohort. Salix submitted the requested information to the agency on July 25. Salix has also announced that it intends to meet with the FDA as soon as possible to discuss a path forward for an oral formulation of Relistor for the chronic, non-cancer pain indication.

Progenics in October 2013 commenced an arbitration with Ono Pharmaceuticals under the provisions of the parties' 2008 License Agreement, following a communication from Ono that it had determined to discontinue development of subcutaneous Relistor in Japan because of "commercial concerns" that Ono contended would permit it to cease development and terminate the Agreement. In May, Progenics terminated the Agreement based on Ono's material breach effective immediately. Japan is now included in our worldwide Relistor license with Salix, and the Company's arbitration with Ono is continuing. See Note 10 to the Consolidated Financial Statements and Risk Factors.

Most of our expenditures are for research and development activities in support of our product candidates. During the six months ended June 30, 2014, expenses for Oncology were $14.3 million compared to $18.2 million in 2013. Expenses for Relistor and other programs were $1.0 million during the six months ended June 30, 2014 compared to $0.6 million for the 2013 period. We expect to incur significant development expenses for our product candidates as clinical trials progress, while expenses, and resulting reimbursement revenue, related to Relistor depend on the amount of research and development work we perform upon Salix's request. We are also obligated to pay potential milestones to former shareholders of Molecular Insight (acquired in early 2013) totaling up to $23 million for specified commercialization events and $70 million upon achieving sales targets.

At June 30, 2014, we held $85.35 million in cash and cash equivalents, a decrease of $8.69 million from first quarter-end, and a $19.49 million increase from 2013 year-end. We expect that this amount will be sufficient to fund operations as currently anticipated beyond one year. We expect to incur operating losses during the near term. At June 30, 2014, cash, cash equivalents and auction rate securities increased $19.5 million to $87.6 million from $68.1 million at December 31, 2013.

We fund our operations to a significant extent from capital-raising. Earlier this year, we raised $37.5 million in an underwritten public offering of 8.75 million shares of common stock, and entered into an agreement with an investment bank under which we may sell from time to time up to $50 million of our stock. In addition, our current principal sources of revenue from operations are royalty, commercialization milestone and revenue-sharing payments from Salix relating to Relistor. Royalty and milestone payments from Relistor depend on success in development and commercialization, which is dependent on many factors, including Salix's efforts, competition from drugs for the same or similar indications, and decisions by the FDA and other regulatory bodies. If we do not realize sufficient royalty or other revenue from Relistor, or are unable to enter into favorable collaboration, license, asset sale, capital raising or other financing transactions, we will have to reduce, delay or eliminate spending on certain programs, and/or take other economic measures.

Relistor has been approved by regulatory authorities in the U.S., countries in the E.U., Canada and Australia since 2008 for treatment of OIC in advanced-illness patients receiving palliative care when laxative therapy has not been sufficient. Salix is responsible for further developing and commercializing Relistor, including completing clinical development necessary to support regulatory marketing approvals for potential new indications (such as chronic pain) and formulations of the drug, such as oral methylnaltrexone. Under our Agreement with Salix, we are eligible to

receive (i) a development milestone of up to $40 million upon U.S. marketing approval for subcutaneous Relistor in non-cancer pain patients (the proposed indication addressed in the sNDA and Appeal Release mentioned above), (ii) a development milestone of up to $50 million upon U.S. marketing approval of an oral formulation of Relistor, (iii) up to $200 million of commercialization milestone payments upon achievement of specified U.S. sales targets, (iv) royalties ranging from 15 to 19 percent of net sales by Salix and its affiliates, and (v) 60% of any upfront, milestone, reimbursement or other revenue (net of costs of goods sold, as defined, and territory-specific research and development expense reimbursement) Salix receives from sublicensees outside the U.S. In the event either marketing approval is subject to a Black Box Warning or Risk Evaluation and Mitigation Strategy (REMS), payment of a substantial portion of the milestone amount would be deferred, and subject, to achievement of the first commercialization milestone (payable on annual U.S. sales first exceeding $100 million).

Salix has secured distribution for Relistor in the European territory and has licensed Link Medical Products Pty Limited for distribution in Australia, New Zealand, South Africa and certain other markets in Asia.

Results of Operations (amounts in thousands unless otherwise noted)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Revenues	$1,477	$1,801	(18%)	$3,292	$4,027	(18%)
Expenses	(12,564)	(14,074)	(11%)	(23,704)	(27,572)	(14%)
Operating loss	(11,087)	(12,273)	(10%)	(20,412)	(23,545)	(13%)
Other income	13	10	30%	25	24	4%
Income tax benefit	1	-	100%	1	-	100%
Net loss	$(11,073)	$(12,263)	(10%)	$(20,386)	$(23,521)	(13%)

Revenues:

Sources of revenue during the periods indicated below included license and other agreements with Salix and other collaborators, research grants from the National Institutes of Health (NIH) in 2013, and, to a small extent, sale of research reagents.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Royalty income	$1,367	$1,176	16%	$2,102	$2,333	(10%)
Collaboration revenue	72	514	(86%)	1,121	1,367	(18%)
Research grants	-	77	(100%)	-	275	(100%)
Other revenues	38	34	12%	69	52	33%
Total	$1,477	$1,801	(18%)	$3,292	$4,027	(18%)

Royalty income. During the periods presented below we recognized royalty income primarily based on the below net sales of Relistor reported by Salix.

	Relistor Net Sales			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
U.S.	$8,200	$6,700	$11,800	$13,400
Ex-U.S.	900	1,200	2,100	2,200
Global	$9,100	$7,900	$13,900	$15,600

Collaboration revenue. During the three and six months ended June 30, 2014, we recognized $72 and $1,121, respectively, from upfront and reimbursement payments from partnering arrangements, compared to $514 and $1,367 in the 2013 periods.

Research grants. During the three and six months ended June 30, 2013 we recognized $77 and $275, respectively, as revenue from federal government grants by the NIH to support research and development programs. We do not expect to recognize revenues from the NIH in the future.

Other revenues, primarily from orders for research reagents, increased to $38 for the three months ended June 30, 2014, from $34 for the same period in 2013 and increased to $69 for the six months ended June 30, 2014, from $52 in 2013.

Expenses:

Research and Development Expenses include scientific labor, clinical trial costs, supplies, product manufacturing costs, consulting, license fees, royalty payments and other operating expenses. Research and development expenses decreased to $8,175 for the three months ended June 30, 2014 from $9,857 for the same period of 2013 and decreased to $15,266 for the six months ended June 30, 2014 from $18,758 for the same period in 2013, as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Salaries and benefits	$2,221	$2,855	(22%)	$5,097	$7,496	(32%)

Three Months: Salaries and benefits decreased due to a decline in average headcount.

Six Months: Salaries and benefits decreased due to approximately $1.5 million restructuring charge recorded in the 2013 period, in addition to a decline in average headcount.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Share-based compensation	$611	$599	2%	$1,088	$1,092	0%

Three Months: Share-based compensation increased primarily due to higher stock option expenses, partially offset by lack of restricted stock expenses.

Six Months: Share-based compensation decreased primarily due to lack of restricted stock expenses, partially offset by higher stock option expenses.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Clinical trial costs	$2,439	$1,992	22%	$4,081	$3,319	23%

Three Months: Clinical trial costs increased primarily due to higher expenses for Oncology ($449), primarily related to PSMA ADC.

Six Months: Clinical trial costs increased primarily due to higher expenses for Oncology ($770), primarily related to PSMA ADC.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Laboratory and manufacturing supplies and equipment	$34	$421	(92%)	$68	$460	(85%)

Three Months: Laboratory and manufacturing supplies and equipment decreased due to lower expenses for Relistor and other programs ($380) and Oncology ($7).

Six Months: Laboratory and manufacturing supplies and equipment decreased due to lower expenses for Relistor and other programs ($352) and Oncology ($40).

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Contract manufacturing and subcontractors	$1,332	$572	133%	$1,994	$934	113%

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Three Months: Contract manufacturing and subcontractors increased due to higher expenses for Oncology ($759), primarily related to Azedra and 1404, partially offset by decreased expenses for PSMA ADC.

Six Months: Contract manufacturing and subcontractors increased due to higher expenses for Oncology ($1,075), primarily related to Azedra and 1404, partially offset by lower expenses for PSMA ADC. The increase was also partially offset by lower expenses for Relistor and other programs ($15).

Expenses in this category relate to the conduct of clinical trials, including manufacture by third parties of drug materials, testing, analysis, formulation and toxicology services, and vary as the timing and level of such services are required.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Consultants	$135	$452	(70%)	$330	$765	(57%)

Three Months: Consultants expense decreased primarily due to lower expenses for Oncology ($289) and Relistor and other programs ($28).

Six Months: Consultants expense decreased primarily due to lower expenses for Oncology ($400) and Relistor and other programs ($35).

Expenses in this category relate to monitoring ongoing clinical trials and reviewing data from completed trials including the preparation of filings and vary as the timing and level of such services are required.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
License fees	$180	$153	18%	$270	$223	21%

Three and Six Months: License fees increased primarily due to higher expenses for Oncology.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Royalty expense	$147	$119	24%	$229	$235	(3%)

Three Months: The increase in royalty expense was due to higher net sales of Relistor in the second quarter of 2014, compared to the prior year period.

Six Months: The decrease in royalty expense was due to lower net sales of Relistor in the first half of 2014, compared to the prior year period.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Other operating expenses	$1,076	$2,694	(60%)	$2,109	$4,234	(50%)

Three Months: Other operating expenses decreased primarily due to decreases in rent ($1,452), facilities ($27), insurance ($16) and other operating expenses ($123).

Six Months: Other operating expenses decreased primarily due to decreases in rent ($1,829), facilities ($122), insurance ($19) and other operating expenses ($155).

General and Administrative Expenses increased to $4,256 for the three months ended June 30, 2014 from $3,899 for the same period of 2013 and decreased to $8,161 for the six months ended June 30, 2014, from $8,219 for the same period in 2013, as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Salaries and benefits	$1,156	$1,175	(2%)	$2,475	$2,569	(4%)

Three and Six Months: Salaries and benefits decreased due to a decline in average headcount.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Share-based compensation	$867	$752	15%	$1,163	$1,008	15%

Three and Six Months: Share-based compensation increased due to higher stock option expenses, partially offset by lack of restricted stock expenses.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Consulting and professional fees	$894	$896	0%	$1,746	$2,400	(27%)

Three Months: Consulting and professional fees decreased due to lower consulting ($166) and other fees ($61), partially offset by higher legal expenses ($225).

Six Months: Consulting and professional fees decreased due to lower consulting ($650) and audit and compliance fees ($98), primarily due to the 2013 Molecular acquisition related transaction expenses, partially offset by higher tax accounting, legal patent and all other fees ($94).

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Other operating expenses	$939	$1,076	(13%)	$1,877	$2,242	(16%)

Three Months: Other operating expenses decreased due to lower expenses for recruiting ($115), investor relations ($35) and taxes ($26), partially offset by an increase in other operating expenses ($39).

Six Months: Other operating expenses decreased due to lower expenses for recruiting ($211), rent ($55), taxes ($39), travel ($26) and other operating expenses ($34).

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Contingent consideration liability expense (non-cash)	$400	$ -	100%	$900	$ -	100%

Three and Six Months: The second quarter review of the contingent consideration liability fair value resulted in a $400 increase, from $16,200 to $16,600. The first quarter review of the contingent consideration liability fair value resulted in a $500 increase, from $15,700 to $16,200. Both increases have been recorded as non-cash general and administrative expenses in the Consolidated Statements of Operations. The increases in contingent consideration liability were due to a decrease in the discount period used to calculate the estimated liability. Significant changes in estimates and assumptions underlying the estimated fair value of the contingent consideration liability would result in a significantly higher or lower fair value with a corresponding non-cash charge or credit to general and administrative expenses.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Depreciation and amortization	$133	$318	(58%)	$277	$595	(53%)

Three and Six Months: Depreciation and amortization expense decreased primarily due to lower leasehold improvements and machinery and equipment fixed assets balances.

Other income:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Percent Change	2014	2013	Percent Change
Interest income	$13	$10	30%	$25	$24	4%

Three and Six Months: Interest income increased due to higher average balances in 2014 than in 2013, partially offset by decreases due to lower average interest rates in 2014 than in 2013.

Income Taxes:

For the three and six months ended June 30, 2014, income tax benefit of $1 resulted from the change in the difference between the carrying amount of the finite lived intangible assets for financial reporting purposes and the amounts used for income tax purposes. For the three and six months ended June 30, 2013, there was no provision for income taxes due to pre-tax losses for those periods.

Net Loss:

Our net loss was $11,073 and $20,386 for the three and six months ended June 30, 2014, respectively, compared to $12,263 and $23,521 for the corresponding 2013 periods.

Liquidity and Capital Resources

We have to date funded operations principally through payments received from private placements of equity securities, public offerings of common stock, collaborations, grants and contracts, royalties, interest on investments, and proceeds from the exercise of outstanding options and warrants.

We received in 2014 a $1,000 milestone payment from partnering the 1404 program in Japan. We are also eligible to receive future milestone and royalty payments. We received in 2013 a $5,000 upfront payment from partnering of our C. difficile program and are eligible to receive future milestone and royalty payments.

At June 30, 2014, we held $85,347 in cash and cash equivalents, a decrease of $8,689 from March 31, 2014, and an increase of $19,487 from $65,860 at December 31, 2013. We expect that this amount will be sufficient to fund operations as currently anticipated beyond one year. In addition, at June 30, 2014 and December 31, 2013, our investment in auction rate securities classified as long-term assets on the Consolidated Balance Sheets amounted to $2,208.

If we do not realize sufficient royalty or other revenue from Relistor, or other collaboration, license, asset sale, capital raising or other financing transactions, we will have to reduce, delay or eliminate spending on certain programs, and/or take other economic measures.

Cash used in operating activities for the six months ended June 30, 2014 and 2013 was $17,980 and $17,463, respectively, due to excess of expenditures on our research and development programs and general and administrative costs over cash received from collaborators and government grants in 2013.

During the first quarter of 2014, we established a $150,000 replacement shelf registration statement which we used for our first quarter underwritten public offering of 8,750 shares of common stock at a public offering price of $4.60 per share, resulting in net proceeds of approximately $37,459. We may utilize this shelf registration for the issuance of up to approximately $110,000 of additional common stock and other securities, including up to $50,000 of our common stock under an agreement with an investment bank providing for at-the-market sales through the bank.

Sources of Cash

Operating Activities. During the six months ended June 30, 2014 we received $4,627 under our collaborations, primarily consisting of $3,627 in royalties and reimbursements from Salix and $1,000 in milestone payments relating to 1404. During the six months ended June 30, 2013 we received $7,591 under our collaborations, consisting of (i) $5,125 in upfront and reimbursement payments from partnering of our C. difficile program, (ii) $1,987 in royalties and reimbursements from Salix, (iii) payments totaling $198 from out-licenses of other assets, and (iv) $281 in reimbursement payments from 1404 product candidate.

We have in the past partially funded research programs through awards from the NIH, which we do not expect to receive in the foreseeable future. For the six months ended June 30, 2013 we received $287 of revenue from all of our NIH awards.

Changes in Accounts receivable and Accounts payable for the six months ended June 30, 2014 and 2013 resulted from the timing of receipts from Salix, Fuji, other partnering transactions and, principally in prior periods, NIH, and the timing of payments made to trade vendors in the normal course of business.

We have no committed external sources of funding or capital other than agreements under which collaborators and licensees have contractual obligations to make payments to us. Other than revenues from Relistor, we expect no significant product revenues in the immediate or near-term future, as it will take significant time to bring any of our current product candidates to the commercial marketing stage.

Investing Activities. Approximately 94% of our $85,347 in cash and cash equivalents at June 30, 2014 was invested in money market funds. Auction rate securities of $2,208 consist of securities collateralized by student loan obligations subsidized by the U.S. government. These auction rate securities are rated investment grade by the Standard & Poor's and Moody's rating agencies and have scheduled maturities greater than ten years. During the six months ended June 30, 2014, we realized $76 of proceeds from sales of fixed assets.

Financing Activities. During the six months ended June 30, 2014, net cash provided by financing activities included $37,459 in net proceeds from the issuance of 8,750 shares of common stock. During the six months ended June 30, 2013, net cash provided by financing activities included $34,843 in net proceeds that we received for the issuance of 8.5 million shares of our common stock and $3 from the exercise of stock options. The amount of cash we receive from these sources fluctuates commensurate with headcount levels and changes in the common stock price on the grant date for options exercised.

Unless we obtain regulatory approval for additional product candidates and/or enter into agreements with corporate collaborators with respect to other proprietary assets, we will be required to fund our operations through sales of common stock or other securities or royalty or other financing agreements. Adequate additional funding may not be available to us on acceptable terms or at all. Our inability to raise additional capital on terms reasonably acceptable to us may seriously jeopardize the future success of our business.

Uses of Cash

Operating Activities. The majority of our cash has been used to advance our research and development programs, including conducting pre-clinical studies and clinical trials, pursuing regulatory approvals for product candidates, filing and prosecuting patent applications and defending patent claims. For various reasons, including the early stage of certain of our programs, the timing and results of our clinical trials, our dependence in certain instances on third parties, many of which are outside of our control, we cannot estimate the total remaining costs to be incurred and timing to complete all our research and development programs.

For the periods presented, research and development costs incurred, by project, were as follows:

	Six Months Ended June 30,	
	2014	2013
	(in millions)	
Oncology	$14.3	$18.2
Relistor and other programs	1.0	0.6
Total	$15.3	$18.8

We will require additional funding to continue our research and product development programs, conduct pre-clinical studies and clinical trials, pursue regulatory approvals for our product candidates, file and prosecute patent applications and enforce or defend patent claims, if any, fund other operating expenses, and fund product in-licensing and any possible acquisitions.

Investing Activities. During the six months ended June 30, 2014 and 2013, we have spent $68 and $47, respectively, on capital expenditures.

Contractual Obligations

Our funding requirements, both for the next 12 months and beyond, will include required payments under operating leases and fixed and contingent payments under licensing, collaboration and other agreements, including those to which our Molecular Insight subsidiary is a party. The following table summarizes our contractual obligations as of June 30, 2014 for future payments under these agreements, including Molecular obligations:

	Payments due by June 30,				
	Total	2015	2016-2017	2018-2019	Thereafter
	(in millions)				
Operating leases	$13.0	$1.9	$3.9	$4.0	$ 3.2
License and collaboration agreements:					
Fixed payments	1.1	0.3	0.4	0.4	-
Contingent payments [1]	106.6	-	4.8	16.1	85.7
Total	$120.7	$2.2	$9.1	$20.5	$ 88.9

(1) Based on assumed achievement of milestones covered under each agreement, the timing and payment of which is highly uncertain.

We periodically assess the scientific progress and merits of each of our programs to determine if continued research and development is commercially and economically viable. Certain of our programs have been terminated due to the lack of scientific progress and prospects for ultimate commercialization. Because of the uncertainties associated with research and development in these programs, the duration and completion costs of our research and development projects are difficult to estimate and are subject to considerable variation. Our inability to complete research and development projects in a timely manner or failure to enter into collaborative agreements could significantly increase capital requirements and adversely affect our liquidity.

Our cash requirements may vary materially from those now planned because of results of research and development and product testing, changes in existing relationships or new relationships with licensees, licensors or other collaborators, changes in the focus and direction of our research and development programs, competitive and technological advances, the cost of filing, prosecuting, defending and enforcing patent claims, the regulatory approval process, manufacturing and marketing and other costs associated with the commercialization of products following receipt of regulatory approvals and other factors.

The above discussion contains forward-looking statements based on our current operating plan and the assumptions on which it relies. There could be deviations from that plan that would consume our assets earlier than planned.

Off-Balance Sheet Arrangements and Guarantees

We have no obligations under off-balance sheet arrangements and do not guarantee the obligations of any other unconsolidated entity.

Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are disclosed in Note 3 to our consolidated financial statements included in our 2013 Annual Report on Form 10-K. The selection and application of these accounting principles and methods requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of our evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not otherwise readily apparent. The impairment indicators and level of risk associated with in-process research and development and goodwill are monitored and significant judgment is required in the assessment of timing of the triggering events. While we believe that the estimates and assumptions we use in preparing the financial statements are appropriate, these estimates and assumptions are subject to a number of factors and uncertainties regarding their ultimate outcome and, therefore, actual results could differ from these estimates.

There have been no changes to our critical accounting policies and estimates as of and for the six months ended June 30, 2014, which are disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2013 Annual Report on Form 10-K.

Recently Issued Accounting Standards

In May, the FASB issued ASU No. 2014-09, which provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. This ASU provides that an entity should recognize revenue to depict transfers of promised goods or services to customers in amounts reflecting the consideration to which the entity expects to be entitled in the transaction by: (1) identifying the contract; (2) identifying the contract's performance obligations; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations; and (5) recognizing revenue when or as the entity satisfies the performance obligations. The ASU will be effective for annual reporting periods beginning after December 15, 2016, including interim periods. Early adoption is not permitted. The guidance permits companies to apply the requirements either retrospectively to all prior periods presented or in the year of adoption through a cumulative adjustment. We are evaluating the prospective impact of the pending adoption of this ASU on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk (amounts in thousands unless otherwise noted)

Our primary investment objective is to preserve principal. Our money market funds and auction rate securities (ARS) have interest rates that were variable and totaled $82,593 at June 30, 2014. As a result, we do not believe that these investment balances have a material exposure to interest-rate risk.

At that date, we held approximately $2,208 (2.67% of assets measured at fair value) carrying amount of ARS, in respect of which we have received all scheduled interest payments. The principal amount of these remaining ARS will not be accessible until the issuer calls or restructures the underlying security, the underlying security matures and is paid or a buyer outside the auction process emerges.

We continue to monitor the market for ARS and consider the impact, if any, of market conditions on the fair market value of our investments. We believe that the failed auctions experienced to date are not a result of the deterioration of the underlying credit quality of these securities, although valuation of them is subject to uncertainties that are difficult to predict, such as changes to credit ratings of the securities and/or the underlying assets supporting them, default rates applicable to the underlying assets, underlying collateral value, discount rates, counterparty risk, ongoing strength and quality of market credit and liquidity, and general economic and market conditions. We do not believe the carrying values of the ARS that we hold are other than temporarily impaired and therefore expect the positions will eventually be liquidated without significant loss.

The valuation of the ARS we hold is based on an internal analysis of timing of expected future successful auctions, collateralization of underlying assets of the security and credit quality of the security. We re-evaluated the valuation of these securities as of June 30, 2014 and the temporary impairment amount remained unchanged from December 31, 2013 at $192. A 100 basis point increase to our internal analysis would result in a $24 increase in the temporary impairment of these securities as of June 30, 2014.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the U.S. Securities Exchange Act of 1934, that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Principal Financial Officer (PFO), as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have a Disclosure Committee consisting of certain members of our senior management which monitors and implements our policy of disclosing material information concerning the Company in accordance with applicable law.

The Disclosure Committee, under the supervision and with the participation of senior management, including our CEO and PFO, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation and subject to the foregoing, the CEO and PFO concluded that our disclosure controls and procedures, as designed and implemented, were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported and discussed in Note 10 to our interim Consolidated Financial Statements included in Part I, Item 1 of this Report, Progenics is a party to a proceeding brought by a former employee complaining that the Company violated the anti-retaliation provisions of the federal Sarbanes-Oxley law by terminating the former employee. The Company believes the former employee's claims are without merit and is contesting the matter vigorously. The federal District Court hearing the case issued last July an order denying our motion for summary judgment dismissing the former employee's complaint, making it likely that the proceeding will continue to trial. Given the inherent uncertainty attendant to the proceeding, it is not possible at this time to estimate the likelihood or potential magnitude of any outcome, and we have accordingly not recorded any associated liability in the Consolidated Financial Statements.

As previously reported and discussed in Note 10 to our interim Consolidated Financial Statements included in Part I, Item 1 of this Report, Progenics last October commenced an arbitration with Ono Pharmaceuticals under the provisions of the parties' 2008 License Agreement, following a communication from Ono that it had determined to discontinue development of subcutaneous Relistor in Japan because of "commercial concerns" that Ono contended would permit it to cease development and terminate the Agreement. In May, Progenics terminated the Agreement based on Ono's material breach effective immediately, and the license grants, territory and other rights which reverted to Progenics from such termination are now licensed to Salix. The Company's arbitration with Ono is continuing.

Item 1A. Risk Factors

Our business and operations entail a variety of serious risks and uncertainties, including those described in Item 1A of our 2013 Annual Report on Form 10-K, amended by the following:

The future of our business and operations depends on the success of our Relistor collaborations and our oncology research and development programs.

Our business and operations entail a variety of serious risks and uncertainties and are inherently risky. The research and development programs on which we focus involve novel approaches to human therapeutics. Our principal product candidates are in clinical development, and in some respects involve technologies with which we have limited prior experience. We are subject to the risks of failure inherent in the development of product candidates based on new technologies. There is little precedent for the successful commercialization of products based on our technologies, and there are a number of technological challenges that we must overcome to complete most of our development efforts. We may not be able successfully to develop further any of our product candidates. We and our Relistor and other collaborators must successfully complete clinical trials and obtain regulatory approvals for potential commercial products. Once approved, if at all, commercial product sales are subject to general and industry-specific local and international economic, regulatory, technological and policy developments and trends. The oncology space in which we operate presents numerous significant risks and uncertainties that may be expected to increase to the extent it becomes more competitive or less favored in the commercial healthcare marketplace.

The long-term success of our acquisition of Molecular Insight will be subject to all of the risks and uncertainties described in these risk factors. In addition, the estimated fair values of Molecular Insight assets and liabilities reflected in our financial statements do not, given their uniqueness and attendant uncertainties, reflect actual transactions or quoted prices and may not correlate to any future values or results. Such information should not be interpreted or relied upon as indicative of any future value or results. Our failure to manage successfully any of our product candidates, technologies or programs could have an adverse impact on our business, and on the price of our stock.

We are dependent on Salix and other business partners to develop and commercialize Relistor, exposing us to significant risks.

We rely on Salix to complete development and obtain regulatory approvals for additional formulations of and indications for Relistor. Development of Relistor in Japan has stopped as a result of our termination of Ono's license. We are and will be dependent upon Salix and any other business partners with which we may collaborate in the future to perform and fund development, including clinical testing of Relistor, make related regulatory filings and manufacture and market products, including for new indications and in new formulations, in their respective territories. Revenue from the sale of Relistor depends entirely upon the efforts of Salix and its sublicensees, which have significant discretion in determining the efforts and resources they apply to sales of Relistor. Salix may not be effective in obtaining approvals for new indications or formulations, marketing existing or future products or arranging for necessary sublicense or distribution relationships. Our business relationships with Salix and other partners may not be scientifically, clinically or commercially successful. For example, Salix has a variety of marketed products. Salix is not, however, a large diversified pharmaceutical company and does not have resources commensurate with such companies. Salix has its own corporate objectives, which may not be consistent with our best interests, and may change its strategic focus or pursue alternative technologies in a manner that results in reduced or delayed revenue to us. Changes of this nature might also occur if Salix were acquired or if its management changed. We may have future disagreements with Salix, which has significantly greater financial and managerial resources which it could draw upon in the event of a dispute. Such disagreements could lead to lengthy and expensive litigation or other dispute-resolution proceedings as well as extensive financial and operational consequences to us and have a material adverse effect on our business, results of operations and financial condition. In addition, independent actions may be taken by Salix concerning product development, marketing strategies, manufacturing and supply issues, and rights relating to intellectual property, including, as discussed below, Relistor's path forward in light of the July 2012 Complete Response Letter from the FDA.

Progenics in October 2013 commenced an arbitration with Ono under the provisions of the parties' 2008 License Agreement for development and commercialization of subcutaneous Relistor in Japan, following a communication from Ono that it had determined to discontinue development because of "commercial concerns" that Ono contended would permit it to cease development and terminate the Agreement. Development of Relistor in Japan has stopped as a result of our termination of Ono's license, which will result in reduced or delayed, or in the elimination of, milestone and/or royalty revenue from subcutaneous Relistor development in Japan.

The Relistor program may be discontinued or otherwise at risk.

As a result of Salix's appeal of the FDA's 2012 Complete Response Letter in response to Salix's supplemental New Drug Application for Relistor for the treatment of OIC in adult patients with chronic, non-cancer pain, the FDA has recently informed us that Relistor subcutaneous injection for the treatment of opioid-induced constipation in patients taking opioids for chronic non-cancer pain can be approved on the data included in Salix's 2011 sNDA for that indication. Other future developments may, however, result in Salix taking independent actions concerning product development, marketing strategies or other matters for Relistor, including termination of their efforts to develop and commercialize the drug.

Salix has disclosed in regulatory filings that it might terminate its development program for Relistor subcutaneous injection for treatment of OIC in chronic non-cancer pain patients, and that additional information and additional guidance from the FDA could result in the termination of its oral OIC Relistor development program. As noted in our risk factor on regulatory approvals below, if clinical trials indicate, or regulatory bodies are concerned about, actual or possible serious problems with the safety or efficacy of a product candidate, such as the concerns expressed in the FDA's CRL and as described above, we or our collaborators may stop or significantly slow development or commercialization of affected products. As a result of such concerns, the development programs for subcutaneous and/or oral Relistor for chronic, non-cancer pain patients have been and may in the future be significantly delayed or terminated altogether. In such an event, we could be faced with either further developing and commercializing the

drug on our own or with one or more substitute collaborators, either of which paths would subject us to the development, commercialization, collaboration and/or financing risks discussed in these risk factors. Any such significant action adverse to development and commercialization of Relistor could have a material adverse impact on our business, and on the price of our stock.

We are subject to extensive regulation, which can be costly and time consuming, may not lead to marketing approval for our product candidates, and can subject us to unanticipated limitations, restrictions, delays and fines.

Our business, products and product candidates are subject to comprehensive regulation by the FDA and comparable authorities in other countries. These agencies and other entities regulate the pre-clinical and clinical testing, safety, effectiveness, approval, manufacture, labeling, marketing, export, storage, recordkeeping, advertising, promotion and other aspects of our products and product candidates. We cannot guarantee that approvals of product candidates, processes or facilities will be granted on a timely basis, or at all. If we experience delays or failures in obtaining approvals, commercialization of our product candidates will be slowed or stopped.

For example, as described in our 2013 Form 10-K Annual Report, in clinical studies of one of our principal product candidates, PSMA ADC, investigators have reported serious adverse events (SAEs), including three deaths, in a small proportion of patients treated with the drug. Based on data currently available to us, the Company is continuing development of PSMA ADC and has not determined what effects, if any, treatment-related SAEs reported to date or that may be reported in the future may have on the development of PSMA ADC going forward. If, however, we, together with or independently of investigators participating in our clinical trials, or regulators evaluating PSMA ADC were to determine that this candidate cannot safely be administered to patients with sufficient therapeutic effect, we may determine to attempt to reformulate or otherwise change the candidate and/or its administration to alleviate such concerns, which could result in costs and delays that could impair the value of the candidate. If such costs and delays were sufficiently large, we could determine to abandon the PSMA ADC program. Concerns about the safety and/or efficacy of PSMA ADC could also make it more difficult or impossible for us to enter into licensing, collaboration or other arrangements with third parties for further development and commercialization of PSMA ADC. Any of these possibilities could have material adverse effects on Progenics' business, its financial condition, and/or the price of our stock.

Even if we obtain regulatory approval for a product candidate, the approval may include significant limitations on indicated uses for which the product could be marketed or other significant marketing restrictions, such as a Risk Evaluation and Mitigation Strategy (REMS). For example, Relistor is currently approved only for OIC in patients with advanced illness and not for chronic, non-cancer pain, and our product candidates, if approved at all, may be subject to those or other such limitations and restrictions.

If we or our collaborators violate regulatory requirements at any stage, whether before or after marketing approval is obtained, we or they may be subject to forced removal of a product from the market, product seizure, civil and criminal penalties and other adverse consequences. Under our license agreement with Salix, we are dependent on Salix for compliance with these regulatory requirements as they apply to Relistor. Salix has disclosed that in February 2013 it received a subpoena from the U.S. Attorney's Office for the Southern District of New York requesting documents regarding its sales and promotional practices for Relistor and certain of its other products, that it is in the process of responding to the subpoena and intends to cooperate fully with the subpoena and related government investigation, which has and will continue to increase its legal expenses, and might require management time and attention, and that at the time of its disclosure it cannot predict or determine the timing or outcome of the inquiry or its impact on Salix's financial condition or results of operations.

Our products may face regulatory, legal or commercial challenges even after approval.

Even if a product receives regulatory approval:

- It might not obtain labeling claims necessary to make the product commercially viable (in general, labeling claims define the medical conditions for which a drug product may be marketed, and are therefore very important to the commercial success of a product), or may be required to carry Boxed or other warnings that adversely affect its commercial success.

- Approval may be limited to uses of the product for treatment or prevention of diseases or conditions that are relatively less financially advantageous to us than approval of greater or different scope or subject to an FDA-imposed REMS that imposes limits on the distribution or use of the product.

- Side effects (including different or aggravated effects such as SAEs encountered in our PSMA ADC program) identified after the product is on the market might hurt sales or result in mandatory safety labeling changes, additional pre-clinical testing or clinical trials, imposition of a REMS, product recalls or withdrawals from the market.

- Efficacy or safety concerns (including those arising from SAEs heretofore or hereafter encountered in our PSMA ADC program) regarding a marketed product, or manufacturing or other problems, may lead to a recall, withdrawal of marketing approval, reformulation of the product, additional pre-clinical testing or clinical trials, changes in labeling, imposition of a REMS, the need for additional marketing applications, declining sales or other adverse events. These potential consequences may occur whether or not the concerns originate from subsequent testing or other activities by us, governmental regulators, other entities or organizations or otherwise, and whether or not they are scientifically justified. If products lose previously received marketing and other approvals, our business, results of operations and financial condition would be materially adversely affected.

We or our collaborators will be subject to ongoing FDA obligations and continuous regulatory review, and might be required to undertake post-marketing trials to verify the product's efficacy or safety or other regulatory obligations.

Competing products in development may adversely affect acceptance of our products.

We are aware of a number of products and product candidates described in our 2013 Form 10-K Annual Report which compete or may potentially compete with Relistor. Any of these approved products or product candidates, or others which may be developed in the future may achieve a significant competitive advantage relative to Relistor, and, in any event, the existing or future marketing and sales capabilities of these competitors may impair Salix's and/or other collaborators' ability to compete effectively in the market.

We are also aware of competitors, including those described in that Report, which are developing alternative treatments for disease targets to which our research and development programs are directed, any of which – or others which may be developed in the future – may achieve a significant competitive advantage relative to any product we may develop.

Developing product candidates requires us to obtain additional financing from time to time. Our access to capital funding is uncertain.

We must incur significant costs to develop our product candidates. We generally do not have committed external sources of funding for these projects. We fund our operations to a significant extent from capital-raising. We may do so via equity securities issuances in public offerings, such as our first quarter 2014 $37.5 million underwritten public offering of 8.75 million shares of common stock, or through our three-year facility with an investment bank pursuant to which we may sell from time to time up to $50 million of our stock in at-the-market transactions. We may also fund operations through collaboration, license, royalty financing, private placement or other agreements with one or more pharmaceutical or other companies, debt financings, or government grants or contracts. To the extent we raise additional capital by issuing equity securities, existing stockholders could experience substantial dilution in addition to the dilution experienced as a result of our recent equity offerings and the 2013 Molecular Insight acquisition, and, if we issue securities other than common stock, new investors could have rights superior to existing stockholders. Any debt financing that we may able to obtain may involve operating covenants that restrict our business and significant repayment obligations. To the extent we raise additional funds through new collaboration and licensing arrangements, we may be required to relinquish some rights to technologies or product candidates, or grant licenses on terms that are not favorable to us.

We cannot predict with certainty when we will need additional funds, how much we will need, the form a financing may take or whether additional funds will be available at all. The variability of conditions in global financial and credit markets may exacerbate the difficulty of timing capital raising or other financing, as a result of which we may seek to consummate such transactions substantially in advance of immediate need. Our need for future funding will depend on numerous factors, including the advancement of existing product development projects and the availability of new projects; the achievement of collaboration events, most of which are out of our control and depend entirely on the efforts of others, triggering payments to us; the progress and success of clinical trials and pre-clinical activities (including studies and manufacturing) involving product candidates, whether conducted by collaborators or us; the progress of research programs carried out by us; changes in the breadth of our research and development programs; the progress of research and development efforts of collaborators; our ability to acquire or license necessary, useful or otherwise attractive technologies; competing technological and market developments; the costs and timing of obtaining, enforcing and defending patent and other intellectual property rights; the costs and timing of regulatory filings and approvals; our ability to manage the company's growth or contraction; and unforeseen litigation. These factors may be more important with respect to product candidates and programs that involve technologies with which we have limited prior experience, such as those originally developed by Molecular Insight. Insufficient funds may require us to delay, scale back or eliminate some or all of our research and development programs, cause us to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose, and may adversely affect our ability to operate as a going concern. We may not be able at a given necessary time to obtain additional funding on acceptable terms, or at all. Our inability to raise additional capital on terms reasonably acceptable to us would seriously jeopardize our business.

If we are unable to negotiate collaboration agreements, our cash burn rate could increase and our rate of product development could decrease.

Our ability to generate revenue in the near term depends on the timing of achievement, if any, of certain payment triggering events under our existing collaboration agreements and our ability to enter into additional collaboration agreements with third parties. We may not be successful in negotiating additional collaboration arrangements with pharmaceutical and biotechnology companies to develop and commercialize product candidates and technologies. If we do not enter into new collaboration arrangements, we would have to devote more of our resources to clinical product development and product launch activities and to seeking additional sources of capital to fund those activities. If we were not successful in seeking such capital, our cash burn rate would increase or we would need to take steps to reduce our rate of product development. Our ability to enter into new collaborations may be dependent on many

factors, such as the results of clinical trials, competitive factors and the fit of our programs with the risk tolerance of a potential collaborator, including in relation to regulatory issues, the patent portfolio, the clinical pipeline, the stage of the available data, overall corporate goals and financial position. If we are not able to generate revenue under our collaborations when and in accordance with our expectations or the expectations of industry analysts, this failure could harm our business and have an immediate adverse effect on the trading price of our common stock.

Drug development is a long and inherently uncertain process with a high risk of failure at every stage of development.

Drug development is a highly uncertain scientific and medical endeavor, and failure can unexpectedly occur at any stage of clinical development. Typically, there is a high rate of attrition for product candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The risk of failure increases for our product candidates that are based on new technologies, as well as technologies with which we have limited prior experience, such as those originally developed by Molecular Insight. Pre-clinical studies and clinical trials are long, expensive and highly uncertain processes that can take many years. It will take us, or our collaborators, several years to complete clinical trials and the time required for completing testing and obtaining approvals is uncertain. The start or end of a clinical trial is often delayed or halted due to changing regulatory requirements, manufacturing challenges, required clinical trial administrative actions, slower than anticipated patient enrollment, changing standards of care, availability or prevalence of use of a comparator drug or required prior therapy, clinical outcomes, or our and our partners' financial constraints. The FDA and other U.S. and foreign regulatory agencies have substantial discretion, at any phase of development, to terminate clinical trials, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. Results attained in early human clinical trials may not be indicative of results in later clinical trials. In addition, many of our investigational or experimental drugs are at an early stage of development, and successful commercialization of early stage product candidates requires significant research, development, testing and approvals by regulators, and additional investment. Our products in the research or pre-clinical development stage may not yield results that would permit or justify clinical testing. Our failure to demonstrate adequately the safety and efficacy of a product under development would delay or prevent marketing approval, which could adversely affect our operating results and credibility. The failure of one or more of our product candidates could have a material adverse effect on our business, financial condition and results of operations.

If we or our collaborators do not obtain regulatory approval for our product candidates on a timely basis, or at all, or if the terms of any approval impose significant restrictions or limitations on use, our business, results of operations and financial condition will be adversely affected. Setbacks in clinical development programs could have a material adverse effect on our business.

Regulatory approvals are necessary to market product candidates and require demonstration of a product's safety and efficacy through extensive pre-clinical and clinical trials. We or our collaborators may not obtain regulatory approval for product candidates on a timely basis, or at all, and the terms of any approval (which in some countries includes pricing approval) may impose significant restrictions, limitations on use or other commercially unattractive conditions. We, our collaborators or regulators may also amend, suspend or terminate clinical trials if we or they believe that the participating subjects are being exposed to unacceptable health risks, and after reviewing trial results, we or our collaborators may abandon projects which we previously believed to be promising for commercial or other reasons unrelated to patient risks. During this process, we may find, for example, that results of pre-clinical studies are inconclusive or not indicative of results in human clinical trials, clinical investigators or contract research organizations do not comply with protocols or applicable regulatory requirements, or that product candidates do not have the desired efficacy or have undesirable side effects or other characteristics that preclude marketing approval or limit their potential commercial use if approved. In such circumstances, the entire development program for that product candidate could be adversely affected, resulting in delays in trials or regulatory filings for further marketing approval and a possible need to reconfigure our clinical trial programs to conduct additional trials or abandon the program involved. Conducting additional clinical trials or making significant revisions to a clinical development plan would lead to delays in regulatory filings. If clinical trials indicate, or regulatory bodies are concerned about, actual or possible serious problems with the safety or efficacy of a product candidate, such as the concerns expressed in the FDA's July 2012 Complete Response Letter or during consideration of the oral Relistor development program, we or our collaborators may stop or significantly slow development or commercialization of affected products. As a result of such concerns, and despite the FDA's recent Appeal Response, the development programs for subcutaneous and/or oral Relistor for chronic, non-cancer pain patients may be significantly delayed or terminated altogether.

If the results of any future Relistor trials are not satisfactory or we or our collaborators encounter problems enrolling subjects, clinical trial supply issues, setbacks in developing drug formulations, including raw material-supply, manufacturing, stability or other difficulties, or issues complying with protocols or applicable regulatory requirements, the entire development program for Relistor could be adversely affected in a material manner. Such scenarios could also befall our other clinical-stage product candidates. If any of our collaborators breach or terminate its agreement with us or otherwise fail to conduct successfully and in a timely manner the collaborative activities for which they are responsible, the preclinical or clinical development or commercialization of the affected product candidate or research program could be delayed or terminated. We generally do not control the amount and timing of resources that our collaborators devote to our programs or product candidates. We also do not know whether current or future collaboration partners, if any, might pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases or conditions targeted by our collaborative arrangements. Setbacks of these types could have a material adverse effect on our business, results of operations and financial condition.

We or our collaborators must design and conduct successful clinical trials for our product candidates to obtain regulatory approval. We rely on third parties for conduct of clinical trials, which reduces our control over them and may expose us to conflicts of interest. Clinical trial results may be unfavorable or inconclusive, and often take longer than expected.

We have limited experience in conducting clinical trials, and we rely on or obtain the assistance of others to design, conduct, supervise or monitor some or all aspects of some of our clinical trials, including our ongoing phase 2 trials of PSMA ADC and 1404. We have less control over the timing and other aspects of clinical trials for which we rely on third parties, such as CROs, clinical data management organizations, medical institutions or clinical investigators, than if we conducted them entirely on our own. These third parties may also have relationships with other entities, some of which may be our competitors. In all events, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. The FDA requires us to comply with good clinical practices for conducting and recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements.

To obtain regulatory approval of drug candidates, we must demonstrate through preclinical studies and clinical trials that they are safe and effective. Adverse or inconclusive clinical trial results concerning any of our drug candidates, or trials which regulators find deficient in scope, design or one or more other material respects, could require additional trials, resulting in increased costs, significant delays in submissions of approval applications, approvals in narrower indications than originally sought, or denials of approval, none of which we can predict. As a result, any projections that we publicly announce of commencement and duration of clinical trials are not certain. We have experienced clinical trial delays in the past as a result of slower than anticipated enrollment and such delays may recur. Delays can be caused by, among other things, deaths or other adverse medical events; regulatory or patent issues; interim or final results of ongoing clinical trials; failure to enroll clinical sites as expected; competition for enrollment from other clinical trials; scheduling conflicts with participating clinicians and institutions; disagreements, disputes or other matters arising from collaborations; our inability to obtain necessary funding; or manufacturing problems.

Under our license agreement, Salix generally has responsibility for conducting Relistor clinical trials, including all trials outside of the U.S. In addition, certain clinical trials for our product candidates may be conducted by government-sponsored agencies, and consequently will be dependent on governmental participation and funding. These arrangements expose us to the same considerations we face when contracting with third parties for our own trials.

Our product candidates may not obtain regulatory approvals needed for marketing.

None of our product candidates, other than Relistor for the treatment of OIC in patients with advanced illnesses, has been approved by applicable regulatory authorities for marketing. The process of obtaining FDA and foreign regulatory approvals often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. We have had only limited experience in filing and pursuing applications and other submissions necessary to gain marketing approvals. Products under development may never obtain marketing approval from the FDA or other regulatory authorities necessary for commercialization.

Even if our product candidates obtain marketing approval, our ability to generate revenue will be diminished if our products are not accepted in the marketplace or our collaboration partners fail to obtain acceptable prices or an adequate level of reimbursement for products from third-party payors or government agencies.

The commercial success of our products will depend upon their acceptance by the medical community and third-party payors as clinically useful, cost effective and safe. Market acceptance of approved products, such as Relistor for patients with advanced illnesses, is affected by the timing of regulatory approvals, product launches and reimbursement programs for existing and expanded uses or generic, over-the-counter or other competitors; price increases for the product and relative prices of competing products; product development efforts for new indications; availability of sufficient commercial quantities of the product; success in arranging for necessary sublicense or distribution relationships; and general and industry-specific local and international economic pressures such as those experienced worldwide over the last five years. If health care providers believe that patients can be managed adequately with alternative, currently available therapies, they may not prescribe our products, especially if the alternative therapies are viewed as more effective, as having a better safety or tolerability profile, as being more convenient to the patient or health care providers or as being less expensive. Third-party insurance coverage may not be available to patients for any products we develop, alone or with collaborators. For pharmaceuticals administered in an institutional setting, the ability of the institution to be adequately reimbursed from government and health administration authorities, private health insurers and other third-party payors could also play a significant role in demand for our products. Significant uncertainty exists as to the reimbursement status of newly-approved pharmaceuticals. Government and other third-party payors increasingly are attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for indications for which the FDA has not granted labeling approval. In some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the U.S., we expect that there will continue to be a number of federal and state proposals to implement similar government control and that the emphasis on managed care in the U.S. will continue to put pressure on the pricing of pharmaceutical products. Cost control initiatives could decrease the price that our collaborators receive for any products in the future and adversely affect the ability of our collaborators to commercialize our products and our realization of royalties from commercialization. If any of our products do not achieve market acceptance, we will likely lose our entire investment in that product.

Marketplace acceptance depends in part on competition in our industry, which is intense, and competing products in development may adversely affect acceptance of our products.

The extent to which any of our products achieves market acceptance will depend on competitive factors. Competition in the biopharmaceutical industry is intense and characterized by ongoing research and development and technological change. We face competition from many for-profit companies and major universities and research institutions in the U.S. and abroad. We face competition from companies marketing existing products or developing new products for diseases and conditions targeted by our technologies. We are aware of a number of products and product candidates, including those described in our 2013 Form 10-K Annual Report, which compete or may potentially compete with Relistor, PSMA ADC or our other product candidates. For instance, there are product candidates in pre-clinical or clinical development that target the side effects of opioid pain therapy, and a marketed product for the treatment of post-operative ileus could compete with Relistor. We are aware of several competitors, including those described in that Report, which have received approval for or are developing alternative treatments or diagnostics for castration-resistant prostate cancer, some of which are directed against PSMA. Any of these competing approved products or product candidates, or others which may be developed in the future, may achieve a significant competitive advantage relative to Relistor, PSMA ADC, 1404, Azedra, MIP-1095 or other product candidates.

Competition with respect to our technologies and products is based on, among other things, product efficacy, safety, reliability, method of administration, availability, price and clinical benefit relative to cost; timing and scope of regulatory approval; sales, marketing and manufacturing capabilities; collaborator capabilities; insurance and other reimbursement coverage; and patent protection. Competitive disadvantages in any of these factors could materially

harm our business and financial condition. Many of our competitors have substantially greater research and development capabilities and experience and greater manufacturing, marketing, financial and managerial resources than we do. These competitors may develop products that are superior to those we are developing and render our products or technologies non-competitive or obsolete. Our products and product candidates under development may not compete successfully with existing products or product candidates under development by other companies, universities and other institutions. Drug manufacturers that are first in the market with a therapeutic for a specific indication generally obtain and maintain a significant competitive advantage over later entrants and therefore, the speed with which industry participants move to develop products, complete clinical trials, approve processes and commercialize products is an important competitive factor. If our product candidates receive marketing approval but cannot compete effectively in the marketplace, our operating results and financial position would suffer.

If we or our collaborators are unable to obtain sufficient quantities of the raw and bulk materials needed to make our product candidates or Relistor, development of our product candidates or commercialization of our approved product could be slowed or stopped.

Salix may not be able to fulfill manufacturing obligations for Relistor, a key raw material for which grows in Tasmania, either on their own or through third-party suppliers. A delay or disruption of supplies of Relistor would have a material adverse effect on the Relistor franchise, and therefore on our business as a whole. Our existing arrangements with suppliers for our other product candidates may not result in the supply of sufficient quantities of our product candidates needed to accomplish our clinical development programs, and we may not have the right and in any event do not currently have the capability to manufacture these products if our suppliers are unable or unwilling to do so. We currently arrange for supplies of critical raw materials used in production of our product candidates from single sources. We do not have long-term contracts with any of these suppliers. Any delay or disruption in the availability of raw materials would slow or stop product development and commercialization of the relevant product.

Manufacturing resources could limit or adversely affect our ability to commercialize products.

We or our collaborators engage third parties to manufacture our approved product and product candidates. We or our collaborators may not be able to obtain adequate supplies from third-party manufacturers in a timely fashion for development or commercialization purposes, and commercial quantities of products may not be available from contract manufacturers at acceptable costs. Under our license agreement with Salix, Salix is responsible for obtaining supplies of Relistor, including contracting with contract manufacturing organizations for supply of Relistor active pharmaceutical ingredient and subcutaneous and oral finished drug product. These arrangements may not be on terms that are advantageous and, as a result of our royalty and other interests in Relistor's commercial success, will subject us to risks that the counterparties may not perform optimally in terms of quality or reliability. In engaging third parties for these activities, we do not control many aspects of the manufacturing process, including compliance with current Good Manufacturing Practices (cGMP) and other regulatory requirements. In order to commercialize our product candidates successfully, we or our collaborators need to be able to manufacture or arrange for the manufacture of products in commercial quantities, in compliance with regulatory requirements, at acceptable costs and in a timely manner. Manufacture of our product candidates can be complex, difficult to accomplish even in small quantities, difficult to scale-up for large-scale production and subject to delays, inefficiencies and low yields of quality products. The cost of manufacturing some of our product candidates may make them prohibitively expensive. If adequate supplies of any of our product candidates or related materials are not available on a timely basis or at all, our clinical trials could be seriously delayed, since these materials are time consuming to manufacture and cannot be readily obtained from third-party sources. If we were to decide to establish a commercial-scale manufacturing facility in the future, we would require substantial additional funds and be required to hire and train significant numbers of employees and comply with applicable regulations.

Failure of any manufacturer of Relistor or our product candidates to comply with applicable regulatory requirements could subject us to penalties and have a material adverse effect on supplies of our product or products candidates.

Third-party manufacturers are required to comply with cGMP or similar regulatory requirements outside of the U.S. If manufacturers of our product or product candidates cannot successfully manufacture material that conforms to the strict regulatory requirements of the FDA and any applicable foreign regulatory authority, they may not be able to obtain any required approval for their manufacturing facilities. If these facilities are not approved for commercial manufacture, we may need to find alternative manufacturing facilities, which could result in delays of several years in obtaining approval for a product candidate. We do not control the manufacturing process and are completely dependent on our third-party manufacturing partners or contractors for compliance with the applicable regulatory requirements for the manufacture of Relistor and our product candidates. Manufacturers are subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies for compliance with cGMP and similar regulatory requirements. Failure of any manufacturer of Relistor or any of our product candidates to comply with applicable cGMP or other regulatory requirements could result in sanctions being imposed on our

collaborators or us, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply and criminal prosecutions, any of which could significantly and adversely affect supplies of Relistor or such product candidate and have a material adverse impact on our business, financial condition and results of operations.

We are dependent on patents and other intellectual property rights.

The validity, enforceability and commercial value of our patents and other intellectual property rights are highly uncertain.

We own or have direct or sub-licenses to a number of issued patents. We must obtain, maintain and enforce patent and other rights to protect our intellectual property. The patent position of biotechnology and pharmaceutical firms is highly uncertain and involves many complex legal and technical issues. There are many laws, regulations and judicial decisions that dictate and otherwise influence the manner in which patent applications are filed and prosecuted and in which patents are granted and enforced, all of which are subject to change from time to time. There is no clear policy involving the breadth of claims allowed, or the degree of protection afforded, under patents in this area. In addition, we are aware of others who have patent applications or patents containing claims similar to or overlapping those in our patents and patent applications. Accordingly, patent applications owned by or licensed to us may not result in patents being issued. Even if we own or license a relevant issued patent, we may not be able to preclude competitors from commercializing drugs that may compete directly with one or more of our products or product candidates, in which event such rights may not provide us with any meaningful competitive advantage. In the absence or upon successful challenge of patent protection, drugs may be subject to generic competition, which could adversely affect pricing and sales volumes of the affected products.

It is generally difficult to determine the relative strength or scope of a biotechnology or pharmaceutical patent position in absolute terms at any given time. The issuance of a patent is not conclusive as to its validity or enforceability, which can be challenged in litigation or via administrative proceedings. The license agreements from which we derive or out-license intellectual property provide for various royalty, milestone and other payment, commercialization, sublicensing, patent prosecution and enforcement, insurance, indemnification and other obligations and rights, and are subject to certain reservations of rights. While we generally have the right to defend and enforce patents licensed to or by us, either in the first instance or if the licensor or licensee chooses not to do so, we must usually bear the cost of doing so. Under our license agreement with Salix, Salix generally has the first right to control the defense and enforcement of our Relistor patents. We may incur substantial costs in seeking to uphold the validity of patents or to prevent infringement. If the outcome of a dispute or contest is adverse to us, third parties may be able to use our patented invention without payment to us. Third parties may also avoid our patents through design innovation.

Patents have a limited life and expire by law.

In addition to uncertainties as to scope, validity, enforceability and changes in law, patents by law have limited lives. Upon expiration of patent protection, our drug candidates and/or products may be subject to generic competition, which could adversely affect pricing and sales volumes of the affected products.

With respect to PSMA ADC, currently issued composition-of-matter patents comprising co-owned and in-licensed properties have expiration ranges of 2022 to 2023 in the U.S. and 2022 to 2026 ex-U.S. Corresponding patent applications as well as patent applications directed to methods of use (except for the U.S. patent expiring in 2023) are pending worldwide, which if issued would have expiration ranges from 2022 to 2029. We view all of these patents as significant.

Owned and in-licensed properties relating to the 1404 product candidate have expiration ranges of 2020 to 2029; we view as most significant the composition-of-matter patent on the compound, as well as technetium-99 labeled forms, which expires in 2029. Additional U.S. patents are directed to various inventions relating to the product candidate, and corresponding patent applications are pending worldwide.

With regard to our Relistor-related intellectual property, the composition-of-matter patent for the active ingredient of Relistor, methylnaltrexone, was invented in the 1970's and has expired. The University, as well as Progenics and its collaborators, have extended the methylnaltrexone patent estate with additional patents and pending patent

applications covering various inventions relating to the product. Salix has listed in the FDA Orange Book four U.S. patents relating to subcutaneous Relistor, which have expiration dates ranging from 2017 to 2030, and one patent (expiring in 2024) with Health Canada. A patent issued in September 2013 provides protection for the oral methylnaltrexone product until 2031.

We depend on intellectual property licensed from third parties and unpatented technology, trade secrets and confidential information. If we lose any of these rights, including by failing to achieve milestone requirements or to satisfy other conditions, or if they or data embodying or relevant to them are compromised by disruptions or breaches of information or data security, our business, results of operations and financial condition could be harmed.

Most of our product candidates, including Relistor, incorporate intellectual property licensed from third parties. For example, PSMA ADC utilizes technology licensed to us from Sloan-Kettering Institute for Cancer Research, through Cytogen Corporation, and Seattle Genetics, Inc. We can lose the right to patents and other intellectual property licensed to us if the related license agreement is terminated due to a breach by us or otherwise. Our ability, and that of our collaboration partners, to commercialize products incorporating licensed intellectual property would be impaired if the related license agreements were terminated. In addition, we are required to make substantial cash payments, achieve milestones and satisfy other conditions, including filing for and obtaining marketing approvals and introducing products, to maintain rights under our intellectual property licenses. Due to the nature of these agreements and the uncertainties of research and development, we may not be able to achieve milestones or satisfy conditions to which we have contractually committed, and as a result may be unable to maintain our rights under these licenses. If we do not comply with our license agreements, the licensors may terminate them, which could result in our losing our rights to, and therefore being unable to commercialize, related products.

We also rely on unpatented technology, trade secrets and confidential information. Third parties may independently develop substantially equivalent information and techniques or otherwise gain access to our technology or disclose our technology, and we may be unable to effectively protect our rights in unpatented technology, trade secrets and confidential information. We require each of our employees, consultants and advisors to execute a confidentiality agreement at the commencement of an employment or consulting relationship with us. These agreements may, however, not provide effective protection in the event of unauthorized use or disclosure of confidential information. Any loss of trade secret protection or other unpatented technology rights could harm our business, results of operations and financial condition.

Progenics and other businesses and organizations worldwide, and in particular technology-intensive activities such as biotechnology research and development, are increasingly dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to facilitate or perform basic research and development functions, business processes, internal and external communications, and other critical functions. Progenics relies on such systems for most aspects of its business. The size and complexity of computer, communications and other electronic networked data generation, storage and transfer systems make them potentially vulnerable to breakdown, malicious intrusion, computer viruses and data security breaches by unauthorized third parties, employees or others. Such events may permit unauthorized persons to access, misappropriate and/or destroy sensitive data and result in the impairment or disruption of important business processes, loss of trade secrets or other proprietary intellectual property or public exposure of personal information (including sensitive personal information) of employees, business partners, clinical trial patients, customers and others. Any of the foregoing could have a material adverse effect on our business, prospects, operating results, and financial condition.

If we do not achieve milestones or satisfy conditions regarding some of our product candidates, we may not maintain our rights under related licenses.

We are required to make substantial cash payments, achieve milestones and satisfy other conditions, including filing for and obtaining marketing approvals and introducing products, to maintain rights under our intellectual property licenses. Due to the nature of these agreements and the uncertainties of research and development, we may not be able to achieve milestones or satisfy conditions to which we have contractually committed, and as a result may be unable to maintain our rights under these licenses. If we do not comply with our license agreements, the licensors may terminate them, which could result in our losing our rights to, and therefore being unable to commercialize, related products.

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If we infringe third-party patent or other intellectual property rights, we may need to alter or terminate a product development program.

There may be patent or other intellectual property rights belonging to others that require us to alter our products, pay licensing fees or cease certain activities. If our products infringe patent or other intellectual property rights of others, the owners of those rights could bring legal actions against us claiming damages and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to manufacture or market the affected products. We may not prevail in any action brought against us, and any license required under any rights that we infringe may not be available on acceptable terms or at all. We are aware of intellectual property rights held by third parties that relate to products or technologies we are developing. For example, we are aware of other groups investigating PSMA or related compounds, monoclonal antibodies directed at PSMA and targets relevant to PSMA ADC, and methylnaltrexone and other peripheral opioid antagonists, and of patents held, and patent applications filed, by these groups in those areas. While the validity of these issued patents, patentability of these pending patent applications and applicability of any of them to our programs are uncertain, if asserted against us, any related patent or other intellectual property rights could adversely affect our ability to commercialize our products.

Research, development and commercialization of a biopharmaceutical often requires choosing between alternative development and optimization routes at various stages in the development process. Preferred routes depend on subsequent discoveries and test results and cannot be predicted with certainty at the outset. There are numerous third-party patents in our field, and we may need to obtain a license under a patent in order to pursue the preferred development route of one or more of our products or product candidates. The need to obtain a license would decrease the ultimate profitability of the applicable product. If we cannot negotiate a license, we might have to pursue a less desirable development route or terminate the program altogether.

We are dependent upon third parties for a variety of functions. These arrangements may not provide us with the benefits we expect.

We rely on third parties to perform a variety of functions. We are party to numerous agreements which place substantial responsibility on clinical research organizations, consultants and other service providers for the development of our approved product and our product candidates. We also rely on medical and academic institutions to perform aspects of our clinical trials of product candidates. In addition, an element of our research and development strategy has been to in-license technology and product candidates from academic and government institutions in order to minimize investments in early research. We have entered into agreements under which we are now dependent on Salix for the commercialization and development of Relistor. We may not be able to maintain our existing relationships, or establish new ones for Relistor or other product candidates on beneficial terms. We may not be able to enter new arrangements without undue delays or expenditures, and these arrangements may not allow us to compete successfully. Moreover, if third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct clinical trials in accordance with regulatory requirements or applicable protocols, our product candidates may not be approved for marketing and commercialization or such approval may be delayed. If that occurs, we or our collaborators will not be able, or may be delayed in our efforts, to commercialize our product candidates.

We lack sales and marketing infrastructure and related staff, which will require significant investment to establish and in the meantime may make us dependent on third parties for their expertise in this area.

We have no established sales, marketing or distribution infrastructure. If we receive marketing approval for a pharmaceutical product, significant investment, time and managerial resources will be required to build the commercial infrastructure required to market, sell and support it. Should we choose to commercialize a product directly, we may not be successful in developing an effective commercial infrastructure or in achieving sufficient market acceptance. Alternatively, we may choose to market and sell products through distribution, co-marketing, co-promotion or licensing arrangements with third parties. We may also consider contracting with a third party

professional pharmaceutical detailing and sales organization to perform the marketing function for one or more products. To the extent that we enter into distribution, co-marketing, co-promotion, detailing or licensing arrangements for the marketing and sale of product candidates, any revenues we receive will depend primarily on the efforts of third parties. We will not control the amount and timing of marketing resources these third parties devote to our products.

We are exposed to product liability claims, and in the future may not be able to obtain insurance against claims at a reasonable cost or at all.

Our business exposes us to product liability risks, which are inherent in the testing, manufacturing, marketing and sale of pharmaceutical products. We may not be able to avoid product liability exposure. If a product liability claim is successfully brought against us, our financial position may be adversely affected. Under our license agreement with Salix, we are responsible for product liability claims arising out of clinical trials that were conducted under our supervision. We are indemnified by Salix under our license agreement with Salix for product liability exposure arising from its marketing and sales of Relistor, and maintain our own product liability insurance coverage in the amount of $10.0 million per occurrence, subject to a deductible and a $10.0 million annual aggregate limitation and other clinical trial or other insurance as required by contract and local laws. We released our former Relistor collaborator, Wyeth Pharmaceuticals, from its indemnification responsibility for product liability exposure arising from its marketing and sales of Relistor. Product liability insurance for the biopharmaceutical industry is generally expensive, when available at all, and may not be available to us at a reasonable cost in the future. Our current insurance coverage and indemnification arrangements may not be adequate to cover claims brought against us, and are in any event subject to the insuring or indemnifying entity discharging its obligations to us.

We handle hazardous materials and must comply with environmental laws and regulations, which can be expensive and restrict how we do business. If we are involved in a hazardous waste spill or other accident, we could be liable for damages, penalties or other forms of censure.

Our research and development work and manufacturing processes involve the use of hazardous, controlled and radioactive materials. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials. Despite procedures that we implement for handling and disposing of these materials, we cannot eliminate the risk of accidental contamination or injury. In the event of a hazardous waste spill or other accident, we could be liable for damages, penalties or other forms of censure. We may be required to incur significant costs to comply with environmental laws and regulations in the future.

If we lose key management and scientific personnel on whom we depend, our business could suffer.

We are dependent upon our key management and scientific personnel, the loss of whom could require us to identify and engage qualified replacements, and could cause our management and operations to suffer in the interim. Competition for qualified employees among companies in the biopharmaceutical industry is intense. Future success in our industry depends in significant part on the ability to attract, retain and motivate highly skilled employees, which we may not be successful in doing.

Heath care reform measures could adversely affect our operating results and our ability to obtain marketing approval of and to commercialize our product candidates.

In the U.S. and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the health care system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements. In the U.S., federal legislation has changed the way Medicare covers and pays for pharmaceutical products. Cost reduction initiatives and other provisions of legislation have decreased coverage and reimbursement. Though such legislation applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. More recent legislation is intended to broaden access to health insurance, further reduce or constrain the growth of healthcare spending, enhance remedies

against fraud and abuse, add new transparency requirements for health care and health insurance industries, and impose new taxes and fees on the health industry and additional health policy reforms. New laws impose significant annual fees on companies that manufacture or import branded prescription drug products, and contain substantial new compliance provisions, which in each case may affect our business practices with health care practitioners. Subject to federal and state agencies issuing regulations or guidance, it appears likely that new laws will continue to pressure pharmaceutical pricing, especially under the Medicare program, and may also increase regulatory burdens and operating costs. We cannot be sure whether additional legislative changes will be enacted, whether the FDA regulations, guidance or interpretations will be changed or what the impact of such changes on the marketing approvals of our product candidates, if any, may be.

Our and/or our collaborators' relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us or them to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm and diminished profits and future earnings.

Health care providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our or our collaborators' future arrangements with third-party payors and customers may expose us or them to broadly applicable fraud and abuse and other health care laws and regulations that may constrain the business or financial arrangements and relationships through which we or our collaborators market, sell and distribute our products that obtain marketing approval. Efforts to ensure that business arrangements comply with applicable health care laws and regulations involve substantial costs. It is possible that governmental authorities will conclude that our or our collaborators' business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If such operations are found to be in violation of any of these laws or other applicable governmental regulations, we or the collaborator may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of related operations. If physicians or other providers or entities involved with our products are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may adversely affect us.

Our future depends on the proper management of our current and future business operations, including those of Molecular Insight, and their associated expenses.

Our business strategy requires us to manage our business to provide for the continued development and potential commercialization of our proprietary and partnered product candidates. Our strategy also calls for us to undertake increased research and development activities and to manage an increasing number of relationships with partners and other third parties, while simultaneously managing the capital necessary to support this strategy. These tasks are significantly increased as a result of our acquisition of Molecular Insight. If we are unable to manage effectively our current operations and any growth we may experience, our business, financial condition and results of operations may be adversely affected. If we are unable to effectively manage our expenses, we may find it necessary to reduce our personnel-related costs through reductions in our workforce, which could harm our operations, employee morale and impair our ability to retain and recruit talent. Furthermore, if adequate funds are not available, we may be required to obtain funds through arrangements with partners or other sources that may require us to relinquish rights to certain of our technologies, products or future economic rights that we would not otherwise relinquish or require us to enter into other financing arrangements on unfavorable terms.

Progenics has a history of operating losses, as does Molecular Insight, which has also been reorganized under the U.S. Bankruptcy Code.

Progenics has incurred substantial losses throughout its history. A large portion of our revenue has historically consisted of upfront and milestone from licensing transactions. We have reported operating losses for 2014 to date, 2013 and 2012 and while we reported operating income for 2011, as a result of a one-time upfront payment from Salix, the timing and amount of any similar transactions in the future is highly unpredictable and uncertain. Without upfront or other such payments, we operate at a loss, due in large part to the significant research and development expenditures required to identify and validate new product candidates and pursue our development efforts. Moreover, we have derived no significant revenue from product sales and have only in the last several years derived revenue from royalties. We may not achieve significant product sales or royalty revenue for a number of years, if ever. We expect to incur net operating losses and negative cash flow from operations in the future, which could increase significantly if we expand our clinical trial programs and other product development efforts, including those attendant to the product candidates and programs originally developed by Molecular Insight. Our ability to achieve and sustain profitability is dependent in part on obtaining regulatory approval for and then commercializing our product

candidates, either alone or with others. We may not be able to develop and commercialize products beyond subcutaneous Relistor for OIC in patients with advanced illness. Our operations may not be profitable even if any of our other product candidates under development are commercialized.

Molecular Insight incurred net losses every year from its inception in 1997 and generated no significant revenue from product sales and only limited revenue from licenses. In December 2010, Molecular Insight filed a voluntary petition in the United States Bankruptcy Court for the District of Massachusetts seeking relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code (Case No. 10-23355). It operated its business and managed its properties as a debtor in possession under bankruptcy protection until emerging from bankruptcy in May 2011.

Our ability to use net operating losses to offset future taxable income is subject to certain limitations.

We currently have significant net operating losses (NOLs) that may be used to offset future taxable income. The U.S. Internal Revenue Code limits the amount of taxable income that may be offset annually by NOL carryforwards after a change in control (generally greater than 50% change in ownership) of a loss corporation, and our use of NOL carryforwards may be further limited as a result of any future equity transactions that result in an additional change of control.

Progenics' stock price has a history of volatility and may be affected by selling pressure, including in the event of substantial sales of Progenics stock by former Molecular Insight stockholders. You should consider an investment in Progenics stock as risky and invest only if you can withstand a significant loss.

Our stock price has a history of significant volatility. It has varied between a high of $7.45 and a low of $3.10 in 2014, $6.47 and $2.53 in 2013, and $11.34 and $1.41 in 2012. Factors that may have a significant impact on the market price of our common stock include the results of clinical trials and pre-clinical studies undertaken by us or others; delays, terminations or other changes in development programs; developments in marketing approval efforts, such as the FDA's July 2012 Complete Response Letter with respect to the Relistor sNDA for OIC in chronic, non-cancer pain patients; developments in collaborator or other business relationships, particularly regarding Relistor, PSMA ADC or other significant products or programs; technological innovation or product announcements by us, our collaborators or our competitors; patent or other proprietary rights developments; governmental regulation; changes in reimbursement policies or health care legislation; safety and efficacy concerns about products developed by us, our collaborators or our competitors; our ability to fund ongoing operations; fluctuations in our operating results; general market conditions; and the reporting of or commentary on such matters by the press and others. At times, our stock price has been volatile even in the absence of significant news or developments. The stock prices of biotechnology companies and securities markets generally have been subject to dramatic price swings in recent years, and financial and market conditions during that period have resulted in widespread pressures on securities of issuers throughout the world economy.

Our stockholders may be diluted, and the price of our common stock may decrease, as a result of future issuances of securities, exercises of outstanding stock options, or sales of outstanding securities.

We expect to issue additional common stock in public offerings, private placements and/or through our January 2014 Sales Agreement with Cantor Fitzgerald & Co., pursuant to which we may sell from time to time up to $50 million of our stock, and to issue options to purchase common stock for compensation purposes. We may issue preferred stock, restricted stock units or securities convertible into or exercisable or exchangeable for our common stock. All such issuances would dilute existing investors and could lower the price of our common stock. Sales of substantial numbers of outstanding shares of common stock, such as sales by former Molecular Insight stockholders of unregistered shares received in the acquisition, could also cause a decline in the market price of our stock. We require substantial external funding to finance our research and development programs and may seek such funding through the issuance and sale of our common stock, which we have recently done in follow-on primary offerings in late 2012, mid-2013 and February 2014. We have a shelf registration statement which may be used to issue up to approximately an additional $110 million of common stock and other securities before any underwriter discounts, commissions and offering expenses. We also have in place registration statements covering shares issuable pursuant to our equity compensation plans, and sales of our securities under them could cause the market price of our stock to decline. Sales by existing stockholders or holders of options or other rights may have an adverse effect on our ability to raise capital and may

adversely affect the market price of our common stock.

Our principal stockholders are able to exert significant influence over matters submitted to stockholders for approval.

As of June 30, 2014, our directors and executive officers together beneficially owned or controlled approximately six percent of our outstanding common shares, including shares currently issuable upon option exercises, and our five largest other stockholders approximately 45 percent. Should these parties choose to act alone or together, they could exert significant influence in determining the outcome of corporate actions requiring stockholder approval and otherwise control our business. This control could, among other things, have the effect of delaying or preventing a change in control of the Company, adversely affecting our stock price.

Anti-takeover provisions may make removal of our Board and/or management more difficult, discouraging hostile bids for control that may be beneficial to our stockholders.

Our Board is authorized, without further stockholder action, to issue from time to time shares of preferred stock in one or more designated series or classes. The issuance of preferred stock, as well as provisions in some outstanding stock options that provide for acceleration of exercisability upon a change of control, and Section 203 and other provisions of the Delaware General Corporation Law could make a takeover or the removal of our Board or management more difficult; discourage hostile bids for control in which stockholders may receive a premium for their shares; and otherwise dilute the rights of common stockholders and depress the market price of our stock.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description
12.1	Statement re computation of ratio of earnings (loss) to combined fixed charges and preferred stock dividends.
31.1	Certification of Mark R. Baker, Chief Executive Officer of the Registrant, pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Angelo W. Lovallo, Jr., Vice President, Finance and Treasurer (Principal Financial and Accounting Officer) of the Registrant, pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32	Certification of the Chief Executive Officer and Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document

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.

PROGENICS PHARMACEUTICALS, INC.

Date: August 8, 2014 By:/s/ Angelo W. Lovallo, Jr.
Angelo W. Lovallo, Jr.
Vice President, Finance & Treasurer
(Principal Financial and Accounting Officer)