

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities
----- Exchange Act of 1934

For the quarterly period ended March 31, 2002

_____ Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number 0-7855

UNITED-GUARDIAN, INC.

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

Delaware

11-1719724

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

230 Marcus Boulevard., Hauppauge, New York 11788

(Address of Principal Executive Offices)

(631) 273-0900

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed
Since Last Report)

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

Yes No

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

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

Yes _____

No _____

APPLICABLE ONLY TO CORPORATE ISSUERS

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

4,934,339

UNITED-GUARDIAN, INC.

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UNITED-GUARDIAN, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	2002	2001
	-----	-----
Revenue:		
Net sales	\$ 2,382,448	\$ 2,829,845
	-----	-----
Costs and expenses:		
Cost of sales	1,272,735	1,297,714
Selling, general and administrative	481,504	581,999
	-----	-----
	1,754,239	1,879,713
	-----	-----
Earnings from operations	628,209	950,132
Other income (expense):		
Interest expense	-	(25)
Investment income	49,624	66,009
Gain on sale of assets	79	-
	-----	-----
Earnings before income taxes	677,912	1,016,116
Provision for income taxes	240,000	380,000
	-----	-----
Net earnings	\$ 437,912	\$ 636,116
	=====	=====
Earnings per common share (basic and diluted)	\$ 0.09	\$ 0.13
	=====	=====
Basic weighted average shares	4,870,795	4,863,140
	=====	=====
Diluted weighted average shares	4,887,080	4,888,777
	=====	=====

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	MARCH 30, 2002	DECEMBER 31, 2001
ASSETS	----- (UNAUDITED)	----- (DERIVED FROM AUDITED FINANCIAL STATEMENTS)
Current assets:		
Cash and cash equivalents	\$ 1,643,332	\$ 1,599,857
Temporary investments	4,414,128	4,365,114
Marketable securities	941,021	944,348
Accounts receivable, net of allowance for doubtful accounts of \$63,100 at March 31, 2002 and December 31, 2001, respectively	928,768	844,388
Inventories	1,233,847	1,185,535
Prepaid expenses and other current assets	208,753	327,924
Deferred income taxes	281,186	279,824
	-----	-----
Total current assets	9,651,035	9,546,990
	-----	-----
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	2,689,222	2,698,088
Building and improvements	2,019,737	2,019,136
Waste disposal plant	133,532	133,532
	-----	-----
	4,911,491	4,919,756
Less: Accumulated depreciation	3,725,051	3,721,343
	-----	-----
	1,186,440	1,198,413
	-----	-----
Other assets:		
Processes and patents, net of accumulated amortization of \$959,608 and \$946,647 at March 31, 2002 and December 31, 2001, respectively	22,189	35,150
Other	750	1,000
	-----	-----
	22,939	36,150
	-----	-----
	\$ 10,860,414	\$ 10,781,553
	=====	=====

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	MARCH 30, 2002	DECEMBER 31, 2001
	(UNAUDITED)	(DERIVED FROM AUDITED FINANCIAL STATEMENTS)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Dividends payable	\$ -	\$ 487,044
Accounts payable	262,972	213,728
Accrued expenses	343,064	344,304
Taxes payable	75,622	-
Total current liabilities	681,658	1,045,076
Deferred income taxes	10,000	10,000
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; issued, 4,934,639 and 4,932,639 shares, respectively; outstanding 4,872,439 and 4,870,439 shares, respectively	493,464	493,264
Capital in excess of par value	3,496,443	3,492,518
Accumulated other comprehensive loss	(23,782)	(24,024)
Retained earnings	6,562,261	6,124,349
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
Total stockholders' equity	10,168,756	9,726,477
	\$ 10,860,414	\$ 10,781,553
	=====	=====

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED March 31,	
	2002	2001
Cash flows provided by operating activities:		
Net earnings	\$ 437,912	\$ 636,116
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	67,424	66,019
Amortization of bond premium	3,026	
Net gain on sale of equipment	(79)	-
(Increase) decrease in assets:		
Accounts receivable	(84,380)	(348,835)
Inventories	(48,312)	139,652
Prepaid expense and other current assets	119,421	13,772
Increase (decrease) in liabilities:		
Accounts payable	49,244	57,738
Accrued expenses and taxes payable	74,382	262,354
Net cash provided by operating activities	618,638	826,816
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(56,911)	(31,208)
Proceeds from sale of equipment	14,500	-
Net change in temporary investments	(49,014)	(534,939)
Purchase of marketable securities	(819)	(796)
Net cash used in investing activities	(92,244)	(566,943)
Cash flows from financing activities:		
Principal payments on long-term debt	-	(2,579)
Proceeds from exercise of stock options	4,125	9,601
Dividends paid	(487,044)	(486,114)
Net cash used in financing activities	(482,919)	(479,092)
Net increase (decrease) in cash and cash equivalents	43,475	(219,219)
Cash and cash equivalents at beginning of period	1,599,857	2,226,812
Cash and cash equivalents at end of period	\$ 1,643,332	\$ 2,007,593

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2002 and December 31, 2001 and the results of operations and cash flows for the three months ended March 31, 2002 and 2001. The accounting policies followed by the Company are set forth in the Company's financial statements included in its December 31, 2001 Annual Report to Shareholders.

2. The results of operations for the three months ended March 31, 2002 and 2001 are not necessarily indicative of the results to be expected for the full year.

3. Inventories

Inventories consist of the following:	March 31, 2002	December 31, 2001
	-----	-----
Raw materials and work in process	\$ 363,460	\$ 245,849
Finished products and fine chemicals	870,387	939,686
	-----	-----
	\$1,233,847	\$1,185,535
	=====	=====

4. For purposes of the Statement of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash payments for taxes were \$1,077 and \$129,476 for the three months ended March 31, 2002 and 2001, respectively.

5. Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	Three months ended March 31,	
	2002	2001
	-----	-----
Net income	\$437,912	\$636,116
	-----	-----
Other comprehensive income (loss)		
Unrealized loss on marketable securities	(1,120)	(29,758)
	-----	-----
Net unrealized loss	(1,120)	(29,758)
	-----	-----
Income tax benefit on comprehensive income	(1,362)	(11,100)
	-----	-----
Other comprehensive income (loss)	242	(18,658)
	-----	-----
Comprehensive income	\$438,154	\$617,458
	=====	=====

Accumulated other comprehensive income is comprised of unrealized gains and losses on marketable securities, net of the related tax effect.

6. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share at March 31, 2002 and 2001.

	2002	2001
	-----	-----
Numerator:		
Net income	\$ 437,912	\$ 636,116
	=====	=====
Denominator:		
Denominator for basic earnings per share (weighted average shares)	4,870,795	4,863,140
Effect of dilutive securities :		
Employee stock options	16,285	25,637
	-----	-----
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	4,887,080	4,888,777
	=====	=====
Basic and diluted earnings per share	\$ 0.09	\$ 0.13
	=====	=====

7. The Company has the following two reportable business segments: Guardian Laboratories and Eastern Chemical. The Guardian segment conducts research, development and manufacturing of pharmaceuticals, medical devices, cosmetics, products and proprietary specialty chemical products. The Eastern segment distributes fine chemicals, solutions, dyes and reagents.

The accounting policies used to develop segment information correspond to those described in the summary of significant accounting policies as set forth in the December 31, 2001 Annual Report. Segment earnings or loss is based on earnings or loss from operations before income taxes. The reportable segments are distinct business units operating in different industries. They are separately managed, with separate marketing and distribution systems. The following information about the two segments is for the three months ended March 31, 2002 and 2001.

	Three months ended March 31,					
	2002			2001		
	GUARDIAN	EASTERN	TOTAL	GUARDIAN	EASTERN	TOTAL
Revenues from external customers	\$ 2,097,851	\$ 284,597	\$ 2,382,448	\$ 2,438,437	\$ 391,408	\$ 2,829,845
Depreciation and amortization	36,179	-	36,179	37,937	-	37,937
Segment earnings before income taxes	673,908	(5,515)	668,393	975,017	13,128	988,145
Segment assets	2,402,146	407,528	2,809,674	2,913,212	382,296	3,295,508
Expenditures for segment assets	9,983	-	9,983	3,685	-	3,685
Reconciliation to Consolidated Amounts						
Earnings before income taxes						

Total earnings for reportable segments			\$ 668,393			\$ 988,145
Other earnings			49,703			65,984
Corporate headquarters expense			(40,184)			(38,013)

Consolidated earnings before income taxes			\$ 677,912			\$ 1,016,116
=====						
Assets						

Total assets for reportable segments			\$ 2,809,674			\$ 3,295,508
Corporate headquarters			8,050,740			6,560,345

Total consolidated assets			\$10,860,414			\$ 9,855,853
=====						

Other significant items

	2002			2001		
	Segment		Consolidated	Segment		Consolidated
	Totals	Corporate	Totals	Totals	Corporate	Totals
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ 25
Expenditures for assets	9,983	46,928	56,911	3,685	27,523	31,208
Depreciation and amortization	36,179	31,245	67,424	37,937	28,082	66,019

Geographic Information

	2002		2001	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 1,112,804	\$ 1,209,379	\$ 1,311,231	\$ 1,319,719
France	435,357		592,864	
Other countries	834,287		925,750	
	\$ 2,382,448	\$ 1,209,379	\$ 2,829,845	\$ 1,319,719
	=====	=====	=====	=====

Major Customers

Customer A (Guardian)	\$ 694,187	\$ 999,805
Customer B (Guardian)	354,415	506,819
All other customers	1,333,846	1,323,221
	\$ 2,382,448	\$ 2,829,845
	=====	=====

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Gross revenue from operations

For the three month period ended March 31, 2002 net sales decreased \$447,397 (15.8%) versus the comparable period in 2001. The Guardian Laboratories division ("Guardian") had a sales decrease of \$340,586 (14.0%) while the Eastern Chemical subsidiary ("Eastern") had a sales decrease of \$106,811 (27.3%).

The decrease in Guardian's sales for the three month period is due to a decline in demand for Guardian's products that Registrant

believes is partly due to the economic condition both in the United States and overseas. The decline in Eastern's sales quarter is believed to be due mainly to normal fluctuations in the purchasing patterns of its customers, but may also be partially attributable to some loss of business due to an inability to provide some products as a result of the ongoing program to reduce Eastern's on-hand inventory.

Cost of sales

Cost of sales as a percentage of sales increased to 53.4% for the three months ended March 31, 2002 from 45.9% for the comparable period ended March 30, 2001. This increase is mainly due to the absorption of fixed costs by a lower sales volume in the quarter as compared to the prior year.

Operating Expenses

Operating expenses decreased \$100,495 (17.3%) in the three months ended March 31, 2002 compared to the comparable period in 2001. This decrease was primarily due to decreases in consulting fees, payroll, and payroll related costs for the three month period ended March 31, 2002 as compared to the three month period ended March 31, 2001.

Investment income

Investment income decreased \$16,385 (24.8%) for the three months ended March 31, 2002 as compared to the comparable period in 2001. The decrease in the three month period was attributable to a decline in interest rates.

Provision for income taxes

The provision for income taxes decreased 140,000 (36.8) the three months ended March 31, 2002 when compared to the comparable period in 2001. The decrease is due to decreased earnings before taxes of \$338,204 for the three months ended March 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from \$8,501,914 at December 31, 2001 to \$8,969,377 at March 31, 2002. The current ratio increased from 9.1 to 1 at December 31, 2001 to 14.2 to 1 at March 31, 2002. The Company has no commitments for any further significant capital expenditures during the remainder of 2002, and believes that its working capital is and will continue to be sufficient to support its operating requirements.

Cash flows provided by operating activities decreased \$208,178 (25.2%) for the three months ended March 31, 2002 as compared the comparable period in 2001. This decrease is mainly due to a decrease in net earnings for the three months ended March 31, 2002.

Cash flows used in investing activities increased \$474,699 (83.7%) in the three months ended March 31, 2002 when compared to the comparable period in 2001. This increase is mainly due a decline in additional temporary investments.

Cash flows used in financing activities increased \$ 3,827 (.8%) in the three months ended March 31, 2002 when compared to the comparable period in 2001. This increase is mainly due to a decrease in stock options exercised during the three month period ended March 30, 2002 when compared to 2001.

PART II - OTHER INFORMATION

Item 6 (b) Exhibits and Reports on Form 8-K

- a. Exhibits - None
- b. Reports on Form 8-K - None

SIGNATURES

In accordance with 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.

UNITED-GUARDIAN, INC.
(Registrant)

By: Alfred R. Globus
Alfred R. Globus
Chief Executive Officer

By: Kenneth H. Globus
Kenneth H. Globus
Chief Financial Officer

Date: May 9, 2002