

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

FORM 10-QSB

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2003

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

For the transition period from _____ to _____

Commission File Number: 1-10526

UNITED-GUARDIAN, INC.

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

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

11-1719724
(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 X No

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

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

Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS

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

4,912,239

UNITED-GUARDIAN, INC.

INDEX

	Page No.

Part I. FINANCIAL INFORMATION	
Item 1 - Financial Statements	
Consolidated Statements of Income - Three and Nine Months Ended September 30, 2003 and 2002.....	2
Consolidated Balance Sheets - September 30, 2003 and December 31, 2002.....	3-4
Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2003 and 2002.....	5
Consolidated Notes to Financial Statements.....	6-9
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9-13
Item 3 - Controls and Procedures.....	13
Part II. OTHER INFORMATION	
Item 1 - Legal Proceedings.....	13
Item 2 - Changes in Securities and Use of Proceeds.....	13
Item 3 - Defaults Upon Senior Securities.....	13
Item 4 - Submission of Matters to a Vote of Security Holders.....	13
Item 5 - Other Information.....	14
Item 6 - Exhibits and Reports On Form 8-K.....	14
Signatures.....	14

Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Revenue:				
Net sales	\$ 8,632,494	\$ 6,796,553	\$ 2,315,417	\$ 2,085,937
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	4,018,227	3,726,051	964,711	1,174,265
Operating expenses	1,829,687	1,698,670	566,879	562,921
	-----	-----	-----	-----
Income from operations	5,847,914	5,424,721	1,531,590	1,737,186
	-----	-----	-----	-----
Income from operations	2,784,580	1,371,832	783,827	348,751
	-----	-----	-----	-----
Other income (expense):				
Investment income	118,291	144,075	39,127	44,987
Gain on sale of assets	500	79	-	-
Other	(25)	(49)	-	-
Income before income taxes	-----	-----	-----	-----
	2,903,346	1,515,937	822,954	393,738
	-----	-----	-----	-----
Provision for income taxes	1,032,000	528,548	290,000	135,548
	-----	-----	-----	-----
Net income	\$ 1,871,346	\$ 987,389	\$ 532,954	\$ 258,190
	=====	=====	=====	=====
Earnings per common share (basic and diluted)	\$ 0.38	\$ 0.20	\$ 0.11	\$ 0.05
	=====	=====	=====	=====
Weighted average shares - basic	4,892,737	4,877,478	4,910,022	4,881,139
	=====	=====	=====	=====
Weighted average shares - diluted	4,910,370	4,889,870	4,930,761	4,888,794
	=====	=====	=====	=====

See notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
ASSETS	(UNAUDITED)	(DERIVED FROM AUDITED FINANCIAL STATEMENTS)
Current assets:		
Cash and cash equivalents	\$ 1,666,853	\$ 3,184,599
Temporary investments	2,280,036	4,151,787
Marketable securities	6,005,562	882,243
Accounts receivable, net of allowance for doubtful accounts of \$25,500 at September 30, 2003 and and December 31, 2002 respectively	1,037,985	704,560
Inventories (net)	845,948	1,037,315
Prepaid expenses and other current assets	173,900	342,476
Deferred income taxes	279,947	297,774
	-----	-----
Total current assets	12,290,231	10,600,754
	-----	-----
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	2,797,500	2,738,110
Building and improvements	2,068,266	2,045,588
Waste disposal plant	133,532	133,532
	-----	-----
	5,068,298	4,986,230
Less: Accumulated depreciation	4,021,716	3,880,660
	-----	-----
	1,046,582	1,105,570
	-----	-----
Other assets:		
Processes and patents, net of accumulated amortization of \$981,635 and \$981,341 at September 30, 2003 and December 31, 2002, respectively	163	456
Other	700	700
	-----	-----
	863	1,156
	-----	-----
\$	13,337,676	\$ 11,707,480
	=====	=====

See notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	SEPETMBER 30, 2003	DECEMBER 31, 2002
	(UNAUDITED)	(DERIVED FROM AUDITED FINANCIAL STATEMENTS)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Dividends payable	\$ -	\$ 488,114
Accounts payable	220,407	188,868
Accrued expenses	315,547	345,407
Taxes payable	101,483	-
	-----	-----
Total current liabilities	637,437	1,022,389
	-----	-----
Deferred income taxes	10,000	10,000
	-----	-----
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; 4,974,239 and 4,943,339 shares issued, respectively; 4,912,039 and 4,881,139 shares outstanding, respectively	497,424	494,334
Capital in excess of par value	3,649,168	3,538,423
Accumulated other comprehensive loss	(25,809)	(55,776)
Retained earnings	8,929,086	7,057,740
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
	-----	-----
Total stockholders' equity	12,690,239	10,675,091
	-----	-----
	\$ 13,337,676	\$ 11,707,480

See notes to financial statements

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	-----	-----
Cash flows provided by operating activities:		
Net income	\$ 1,871,346	\$ 987,389
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	149,349	192,320
Amortization of bond premium	5,548	9,144
Net gain on sale of equipment	(500)	(79)
Provision for doubtful accounts	11,406	-
Provision for inventory obsolescence	125,800	-
(Increase) decrease in assets:		
Accounts receivable	(344,831)	64,618
Inventories	65,567	(19,350)
Prepaid expenses and other current and non-current assets	168,576	11,085
Increase (decrease) in liabilities:		
Accounts payable	31,539	126,935
Accrued expenses and taxes payable	71,623	27,841
	-----	-----
Net cash provided by operating activities	2,155,423	1,399,903
	-----	-----
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(90,068)	(102,341)
Proceeds from sale of equipment	500	14,500
Net change in temporary investments	1,871,751	332,014
Proceeds from sale of marketable securities	480,000	-
Purchase of marketable securities	(5,561,073)	(2,924)
	-----	-----
Net cash provided by (used in) investing activities	(3,298,890)	241,249
	-----	-----
Cash flows from financing activities:		
Proceeds from exercise of stock options	113,835	35,975
Dividends paid	(488,114)	(487,044)
	-----	-----
Net cash used in financing activities	(374,279)	(451,069)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,517,746)	1,190,083
Cash and cash equivalents at beginning of period	3,184,599	1,599,857
	-----	-----
Cash and cash equivalents at end of period	\$ 1,666,853	\$ 2,789,940
	=====	=====

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 September 30, 2003 and the results of operations and cash flows for the three and nine months ended September 30, 2003 and 2002. The accounting policies followed by the Company are set forth in the Company's financial statements included in its December 31, 2002 Annual Report to Shareholders.

2. The results of operations for the three and nine months ended September 30, 2003 and 2002 are not necessarily indicative of the results to be expected for the full year.

3. Stock-Based Compensation: At September 30, 2003, the Company had two stock-based employee compensation plans. As permitted under SFAS NO. 148, (Accounting for Stock-Based Compensation-Transition and Disclosure), which amended SFAS NO. 123, (Accounting for Stock-Based Compensation), United-Guardian has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangement as defined by Accounting Principle Board Opinion ("APB") No. 25, (Accounting for Stock Issued to Employees), and related interpretations including Financial Accounting Standards Board Interpretation No. 44, (Accounting for Certain Transactions involving Stock Compensation), an interpretation of APB No. 25. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No.123 to stock-based employee compensation.

	Nine months ended September 30,		Three months ended September 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Reported net income	\$1,871,346	\$ 987,389	\$532,954	\$258,190
Stock-based employee compensation expense included in reported net income, net of related tax effects	0	0	0	0
Stock-based employee compensation determined under the fair value based method, net of related tax effect	(15,957)	0	(2,762)	0
Pro forma net income	\$1,855,389	\$987,389	\$530,192	\$258,190
	=====	=====	=====	=====
Earnings per share (basic and diluted)				
As reported	\$.38	\$.20	\$.11	\$.05
Pro forma	\$.38	\$.20	\$.11	\$.05

4. Inventories - Net

Inventories consist of the following:	September 30, 2003	December 31, 2002
	-----	-----
Raw materials and work in process	\$ 302,495	\$ 269,067
Finished products and fine chemicals	543,453	768,248
	-----	-----
	\$ 845,948	\$1,037,315
	=====	=====

At September 30, 2003 and December 31, 2002, the Company has reserved \$240,200 and \$366,000 respectively for slow moving and obsolete inventory.

5. 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 \$801,295 and \$513,779 for the nine months ended September 30, 2003 and 2002, respectively.

6. Comprehensive Income (Loss)

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

	Nine months ended September 30,		Three months ended September 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Net income	\$1,871,346	\$ 987,389	\$532,954	\$258,190
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities	47,795	(67,874)	25,552	(35,022)
Income tax benefit on comprehensive gain (loss)	17,827	(27,621)	9,547	(13,064)
Other comprehensive income (loss)	29,968	(40,253)	16,021	(21,958)
Comprehensive income	<u>\$1,901,314</u>	<u>\$ 947,136</u>	<u>\$548,975</u>	<u>\$236,232</u>

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

7. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share at September 30, 2003 and 2002.

	Nine months ended September 30,		Three months ended September 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Numerator:				
Net income	\$1,871,346	\$ 987,389	\$ 532,954	\$ 258,190
Denominator:				
Denominator for basic earnings per share (weighted average shares)	4,892,737	4,877,478	4,910,022	4,881,139
Effect of dilutive securities:				
Employee stock options	17,633	12,392	20,739	7,655
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	<u>4,910,370</u>	<u>4,889,870</u>	<u>4,930,761</u>	<u>4,888,794</u>
Basic and diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.20</u>	<u>\$ 0.11</u>	<u>\$ 0.05</u>

Options to purchase 8,500 and 2,833 shares of the Company's common stock have been excluded from the computation of diluted earnings per share in the three and nine months ended September 30, 2002, respectively, as their inclusion would be antidilutive.

8. 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 Annual Report for the year ended December 31, 2002. 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 nine and three month periods ended September 30, 2003 and 2002.

	Nine months ended September 30,					
	2003			2002		
	GUARDIAN	EASTERN	TOTAL	GUARDIAN	EASTERN	TOTAL
Revenues from external customers	\$ 7,824,875	\$ 807,619	\$ 8,632,494	\$ 5,859,785	\$ 936,768	\$ 6,796,553
Depreciation and amortization	64,852	-	64,852	105,186	-	105,186
Segment income (loss) before income taxes	2,894,764	14,191	2,908,955	1,550,911	(51,638)	1,499,273
Segment assets	2,076,219	303,359	2,379,578	2,125,281	665,859	2,791,140
Expenditures for segment assets	62,808	-	62,808	34,819	-	34,819
Reconciliation to Consolidated Amounts						
<u>Income before income taxes</u>						
Total earnings for reportable segments			\$ 2,908,955			\$ 1,499,273
Other income, net			118,766			144,105
Corporate headquarters expense			(124,375)			(127,441)
Consolidated earnings before income taxes			\$ 2,903,346			\$ 1,515,937
<u>Assets</u>						
Total assets for reportable segments			\$ 2,379,578			\$ 2,791,140
Corporate headquarters			10,958,098			8,641,256
Total consolidated assets			\$13,337,676			\$11,432,396

	Three months ended September 30,					
	2003			2002		
	GUARDIAN	EASTERN	TOTAL	GUARDIAN	EASTERN	TOTAL
Revenues from external customers	\$ 2,086,738	\$ 228,679	\$ 2,315,417	\$ 1,773,778	\$ 312,159	\$ 2,085,937
Depreciation and amortization	19,045	-	19,045	34,015	-	34,015
Segment income (loss) before income taxes	767,923	54,179	822,102	420,141	(24,475)	395,666
<u>Earnings before income taxes</u>						
Total income for reportable segments			\$ 822,102			\$ 395,666
Other income, net			39,127			44,987
Corporate headquarters expense			(38,275)			(46,915)
Consolidated earnings before income taxes			\$ 822,954			\$ 393,738

Other significant items

	2003			2002		
	Segment Totals	Corporate	Consolidated Totals	Segment Totals	Corporate	Consolidated Totals
Expenditures for assets	62,808	27,260	90,068	34,819	67,522	102,341
Depreciation and amortization	64,852	84,497	149,349	105,186	87,134	192,320

Geographic Information

	2003		2002	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 4,384,781	\$ 1,046,745	\$ 4,075,260	\$ 1,129,163
France	1,069,869		893,559	
Other countries	3,177,844		1,827,734	
	<u>\$ 8,632,494</u>	<u>\$ 1,046,745</u>	<u>\$ 6,796,553</u>	<u>\$ 1,129,163</u>

Major Customers

Customer A (Guardian)*	\$ 3,523,475	\$ 2,013,715
Customer B (Guardian)	876,078	696,215
All other customers	4,232,941	4,086,623
	<u>\$ 8,632,494</u>	<u>\$ 6,796,553</u>

* At September 30, 2003 Customer A had a balance approximating 28% of accounts receivable.

9. Impact of Recently Issued Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amount recognized. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management believes that the adoption of SFAS No. 146 will not have a material impact on its results of operations or financial position.

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

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-QSB which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company. Forward-looking statements may be identified by the use of such words as "believes," "may," "will," "should," "intends," "plans," "estimates," or "anticipates" or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) could cause actual results to differ materially from those set forth in the forward-looking statements. In addition to those specific risks and uncertainties set forth in

the Company's reports currently on file with the SEC, some other factors that may affect the future results of operations of the Company are: the development of products that may be superior to the those of the Company; changes in the quality or composition of the Company's products; lack of market acceptance of the Company's products; the Company's ability to develop new products; general economic or industry conditions; intellectual property rights; changes in interest rates; new legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principals, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors that may affect the Company's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from those anticipated as a result of such forward-looking statements, and those statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

OVERVIEW

The Company is a Delaware corporation that operates in two business segments. Its Guardian Laboratories Division ("Guardian") conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. The products manufactured by Guardian are marketed through marketing partners, distributors, direct advertising, mailings, and trade exhibitions. Its most important personal care product line is its LUBRAJEL(R) line of water based moisturizing and lubricating gels. It also sells two pharmaceutical products, which are distributed primarily through drug wholesalers and surgical supply houses. There are also indirect sales to the Veteran's Administration and other government agencies, and to some hospitals and physicians.

While the Company does have competition in the marketplace for some of its products, many of its products or processes are either unique in their field or have some unique characteristics, and therefore are not in direct competition with the products or processes of other pharmaceutical, chemical, or health care companies. Guardian's research and development department is actively working on the development of new products to expand the Company's personal care line.

The Company has been issued many patents and trademarks, and intends whenever possible to make efforts to obtain patents in connection with its product development program.

The Company's Eastern Chemical subsidiary distributes an extensive line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and reagents. Eastern's products are marketed through advertising in trade publications and direct mailings and are sold to both to distributors and directly to users for use in a wide variety of applications. Since the Company's business activities and marketing efforts over the past several years have focused increasingly on the Guardian division, which the Company believes has greater growth potential, the Company is in the process of reducing Eastern's inventory levels in order to make the subsidiary more marketable in the event the Company decides to sell the Eastern operation at some future date.

Products manufactured by the Company are marketed worldwide through its extensive marketing and distribution arrangements. Approximately half of the Company's sales are to foreign customers.

The following discussion and analysis covers material changes in the financial condition of the Company since year end December 31, 2002, and a comparison of the results of operations for the three and nine month periods ended September 30, 2003 and September 30, 2002. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Form 10-KSB for the year ended December 31, 2002.

RESULTS OF OPERATIONS

Gross revenue from operations

For the nine month period ended September 30, 2003 net sales increased \$1,835,941 (27.0%) versus the comparable period in 2002. The Guardian Laboratories division ("Guardian") had a sales increase of \$1,965,090 (33.5%) while the Eastern Chemical subsidiary ("Eastern") had a sales decrease of \$129,149 (13.8%).

For the three month period ended September 30, 2003 revenue increased \$229,480 (11.0%) over the comparable period in 2002. Guardian sales increased \$312,960 (17.6%), while Eastern sales decreased \$83,480 (26.7%).

The increase in Guardian's sales for the three and nine month periods is due to an overall increase in demand for Guardian's products. Some of this demand may be attributable to new launches of personal care products that contain ingredients produced by Guardian, by companies that had been refraining from launching new products due to the poor economic conditions that have prevailed in both the U.S. and overseas. Based on information provided to the Company by its distributors, over the past year or so there has been an increase in activity on the part of many customers, which has resulted in increased demand for the Company's products.

The decline in Eastern's sales 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. The Company does not anticipate any significant increase or decrease in Eastern's sales in the near future.

Cost of sales

Cost of sales as a percentage of sales decreased to 46.5% for the nine months ended September 30, 2003 from 54.8% for the comparable period ended September 30, 2002. For the three month period ended September 30, 2003 compared to the three month period ended September 30, 2002 the cost of sales as a percentage of sales decreased to 41.7% from 56.3%. This decrease is mainly due to increased sales resulting in a favorable production variance of approximately \$125,000 for the three and nine month periods in 2003 as compared to the same periods in the prior year. For the three months ended September 30, 2003, the Company realized savings in disposal costs and obsolete inventory of approximately \$50,000 and \$126,000 respectively. The Company had recorded such reserves in prior years.

Excluding realized savings from disposal costs and obsolete inventory, cost of sales, as a percentage of sales, would have been 50.0% for the nine month period ended September 30, 2003 as compared to 54.8% for the comparable period

in the prior year. For the three months ended September 30, 2003, cost of sales as a percentage of sales would have been 54.7% as compared to 56.3% for the comparable period in the prior year.

Operating Expenses

Operating expenses increased \$131,017 (7.7%) for the nine months ended September 30, 2003 compared to the comparable period in 2002. For the three month period ended September 30, 2003 operating expenses increased \$3,958 (.7%) over the comparable period in 2002. The increase for the nine month period was primarily due to increases in insurance costs, advertising costs, and a one time reserve for the payment of a civil fine (see "Legal Proceedings" below). For the three month period increases in expenses due to the aforementioned civil penalty and an increase in board of directors fees were offset by a decrease in payroll and payroll related costs as compared to the same period in the prior year.

Investment income

Investment income decreased \$25,784 (17.9%) for the nine months ended September 30, 2003 as compared to the comparable period in 2002, and \$5,860 (13.0%) for the three months ended September 30, 2003 when compared to the comparable period in 2002. These decreases were attributable to a decline in interest rates. Investment income is recorded net of brokerage fees.

Provision for income taxes

The provision for income taxes increased \$503,452 (95.3%) for the nine months ended September 30, 2003 when compared to the comparable period in 2002, and \$154,452 (113.9%) for the three months ended September 30, 2003 when compared to the comparable period in 2002. These increases are due to increased earnings before taxes of \$1,387,409 for the nine months ended September 30, 2003 and \$429,216 for the three months ended September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from \$9,578,365 at December 31, 2002 to \$11,652,794 at September 30, 2003. The current ratio increased from 10.4 to 1 at December 31, 2002 to 19.3 to 1 at September 30, 2003. The Company has no commitments for any further significant capital expenditures during the remainder of 2003, and believes that its working capital is and will continue to be sufficient to support its operating requirements.

The company generated cash from operations of \$2,155,423 and \$1,399,903 for the nine months ended September 30, 2003 and September 30, 2002 respectively. The increase was primarily due to the increase in net income.

During the nine month period ended September 30, 2003 \$3,298,890 was used in investment activities, as compared to the nine months ended September 30, 2002 when \$241,249 was provided by investing activities. The change from \$241,249 provided by investing activities in 2002 to \$3,298,890 used in investing activities in 2003 was due to an increase in purchases of marketable securities (primarily bonds) and redemption of some certificates of deposit.

Cash used in financing activities was \$374,279 and \$451,069 for the nine months ended September 30, 2003 and September 30, 2002 respectively. The

decrease is due primarily to an increase in stock options exercised during the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Within 90 days prior to the filing of this Quarterly Report on Form 10-QSB the Company's principal executive officer and principal financial officer evaluated the effectiveness of the design and operation of Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) and concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its officers, as appropriate to allow timely decisions regarding required disclosure, and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls

The Company's principal executive officer and principal financial officer have also concluded there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

While the Company has claims arise from time to time in the ordinary course of its business, the settlement of such claims in the past has not had a material adverse effect on the Company's financial position and results of operations.

In September, 2003 the Company was served with a complaint and proposed order by the U.S. Environmental Protection Agency ("EPA") alleging that (a) the Company had failed to perform certain testing of its pharmaceutical waste water prior to having it disposed of by the licensed contractor it had been using for many years, and (b) that it had failed to provide the proper paperwork regarding such testing. Because the pharmaceutical waste generated by the Company is so small (averaging only about 1% of its annual waste water) it was not aware that it was subject to these requirements. The Company has met with the EPA, which has accepted the Company's explanation that its failure to comply was inadvertent, and has agreed to enter into a consent decree that neither admits nor denies any liability but provides for the payment of a civil penalty of \$23,000. The EPA has agreed that as long as the Company files the required reports that it will not pursue any further action and the matter will be closed.

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS: NONE

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES: NONE

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS: NONE

ITEM 5 - OTHER INFORMATION: NONE

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b. Reports on Form 8-K

There was one report on Form 8-K filed on August 5, 2003 pertaining to the issuance of an earnings release by the Company on August 5, 2003.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Company 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
Chief Executive Officer

By: 
Kenneth H. Globus
Chief Financial Officer

Date: November 11, 2003

EXHIBIT 31.1

SECTION 302 C.E.O. CERTIFICATION

I, Alfred R. Globus, Chief Executive Officer of United-Guardian, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of United-Guardian, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have :

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record,

process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.



Date: November 11, 2003

Alfred R. Globus
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 C.F.O. CERTIFICATION

I, Kenneth H. Globus, President and Chief Financial Officer of United-Guardian, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of United-Guardian, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have :

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 11, 2003



Kenneth H. Globus
President and Chief Financial
Officer

EXHIBIT 32.1

UNITED-GUARDIAN, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United-Guardian, Inc. (the "Registrant") on Form 10-QSB for the quarter ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alfred R. Globus, Chief Executive Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 11, 2003



Alfred R. Globus
Chief Executive Officer

EXHIBIT 32.2

UNITED-GUARDIAN, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United-Guardian, Inc. (the "Registrant") on Form 10-QSB for the quarter ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth H. Globus, President and Chief Financial Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 11, 2003



Kenneth H. Globus
President and Chief Financial
Officer