



UNITED-GUARDIAN, INC.

Corporate Divisions and Subsidiaries
GUARDIAN LABORATORIES
EASTERN CHEMICAL

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First Quarter 2004 Report to Stockholders

June 14, 2004

Dear Stockholder:

Once again I am pleased to report that we had an excellent start to the new year, with first quarter earnings equaling the record earnings from last year's first quarter, and revenue falling short of the record revenue of that quarter by just 8%. Earnings for the quarter were \$709,867 (\$.14 per share), up slightly from the \$703,429 (also \$.14 per share) earnings from the comparable quarter of 2003. Revenue for the quarter decreased slightly from \$3,217,533 in 2003 to \$2,967,103 this year. We believe that this decrease was a result of the timing of large orders rather than any reduction in business. Earnings for the quarter were comparable despite the slightly lower revenues, due to a decrease in cost of goods sold in the first quarter of this year compared to last year's first quarter.

You are probably aware that our stock price dropped after the earnings were announced, indicating that some people were disappointed that we did not exceed last year's revenue and earnings figures. However, this was not surprising if you look at what took place in last year's first quarter to make that quarter so strong. One of the main factors was the launching of a number of new products by personal care companies that had previously been holding back on bringing new products to market while the global economy was still weak. At the end of 2002 we started to see this change and orders began to increase. By the first quarter of 2003 a number of new products were being introduced, some of which contained our ingredients. This also meant the filling of inventory pipelines, which further increased sales in the beginning of last year. It certainly was not surprising that we would not see that same surge of activity a year later. Despite that, we were able to achieve virtually the same high level of sales and earnings. While it is always our goal to exceed the sales and earnings of prior quarters, in this case just equaling that previous level of sales and earnings was an accomplishment, and still resulted in a very profitable quarter for us.

In April we held our annual meeting with our foreign marketing partners to discuss trends in the industry and to get customer feedback. ISP, which covers Eastern Europe, is very optimistic about the potential for the further expansion of sales of our personal care products, particularly the core Lubrajel products, in the eastern European countries that just recently became part of the European Union. These countries, as well as Russia (which is another expanding market for personal care products), should open up new sales potential for our products as the economies of these countries continue to develop.

We are continuing to work with our marketing partners to develop new products for the personal care market. One such area of product development is our new Lubrajel® II line, which is being developed to supplement and expand our very successful Lubrajel line of water-based moisturizing and lubricating gels. We have already started selling small quantities of our first product in this line, Lubrajel® II XD, which was developed to be a drop-in replacement for one of Lubrajel's main competitors. We are currently working on the second product in this line, Lubrajel II XL, which is expected to be an enhancement of our current Lubrajel Oil product, with superior lubricating properties and broader acceptability in global formulations.

We are also looking into the possibility of further promoting Razoride™, our non-foaming shaving gel with superior lubricating properties. Our primary sales of this product are bulk sales to a company that packages it for use in prisons. We recently met with a marketing consulting group that approached us and might be interested in working with us to promote this product. They will be getting back to us shortly with some recommendations.

The field work of our preliminary clinical trial at Boston University's School of Dental Medicine testing Clorpactin, our chlorine-based antimicrobial product, for the treatment of gingivitis has now been completed, with 36 patients having completed the tests. Although we hope to have some unofficial results soon, the formal test results will not be finalized and furnished to us until the beginning of August. Once we receive that data will be able to determine whether we should proceed further on this project.

We are also looking into some other product ideas brought to us by our marketing partners, including the development of some natural extracts for cosmetic uses, and will continue to work together with our partners to find new opportunities for us in this market.

I am pleased to report that once again we made the list of Long Island's top 100 public companies published in the June 14th edition of Newsday, the largest newspaper on Long Island. This year we were ranked 92nd based on revenue (last year we were 95th). More significantly, we were ranked 11th for return on equity (we were 18th last year), and 19th for annual earnings per share growth rate over the past three years, being one of only 23 Long Island companies to post a positive growth rate in this category. We are very proud to have made this list again this year.

We have had a very good start to the new year, and with strong sales continuing into the second quarter, and we are optimistic that this year will be another strong one for us. We are continuing our efforts to find new marketing opportunities, and we are confident that with the continued assistance of our marketing partners that we will be able to continue to develop unique and exciting products for the personal care market.

Sincerely,

UNITED-GUARDIAN, INC.

A handwritten signature in black ink, appearing to read "Alfred R. Globus". The signature is fluid and cursive, written over a white background.

DR. ALFRED R. GLOBUS
Chairman and CEO

**RESULTS FOR THE FIRST QUARTER ENDED
MARCH 31, 2004 and MARCH 31, 2003**

3 Months Ended
March 31,
2004 2003

Revenue:	\$ 2,967,103	\$ 3,217,533
Costs and expenses:	1,919,111	2,161,845
Income from operations:	1,047,992	1,055,688
Other income :	57,075	39,741
Income before income taxes:	1,105,067	1,095,429
Provision for income taxes:	395,200	392,000
Net income:	\$ 709,867	\$ 703,429
Earnings per share (Basic and Diluted):	\$.14	\$.14

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2004	DECEMBER 31, 2003
	(UNAUDITED)	(DERIVED FROM AUDITED FINANCIAL STATEMENTS)
ASSETS :		
Current assets:	\$ 13,676,277	\$ 12,997,928
Property, plant and equipment (less accumulated depreciation):	1,031,951	1,026,251
Other assets:	700	765
	<u>\$ 14,708,928</u>	<u>\$ 14,024,944</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:	\$ 1,338,916	\$ 1,398,426
Deferred income taxes	10,000	10,000
Stockholders' equity:	<u>13,360,012</u>	<u>12,616,518</u>
	<u>\$ 14,708,928</u>	<u>\$ 14,024,944</u>

NOTE: More detailed financial information can be found in the company's Form 10-QSB for the 1st quarter of 2004, which is available upon request or can be viewed and/or downloaded from the company's web site at the following internet address:

http://www.u-g.com/corporate/SEC_Filings.html