



UNITED-GUARDIAN, INC.

Corporate Divisions and Subsidiaries

GUARDIAN LABORATORIES
EASTERN CHEMICAL

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INTERIM REPORT

(FOURTH QUARTER, 2003)

February 18, 2004

Dear Stockholder:

Once again we are sending out this brief interim report to keep you apprised of events that have taken place since the Third Quarter Report was issued on December 12th. Since our earnings are going to be released in the next few weeks, and the Annual Report to Stockholders will go out in mid-April, this report is not intended to be an in-depth review, nor does it contain any financial results. Rather, it is intended to be a brief update on some of our ongoing projects as well as a general picture of our current market environment.

As I mentioned in the third quarter report, our third quarter was our strongest ever, and sales since that time have remained strong. While I cannot yet comment on our expectations for year-end earnings, we have been very pleased at the continuing strong sales pace that began at the end of 2002 and has continued into 2004, and we believe that our stockholders will be pleased as well. With sales for January and February continuing this trend, we have made a strong start to our next fiscal year.

In the Annual Report I will go into more detail as to some of the reasons why we think sales have been as strong as they have been over the past year. For now, suffice it to say that we are very satisfied with the increased efforts of our marketing partners, particularly International Specialty Products, our largest partner, which has seen a tremendous increase in sales of our products over the past year. We meet with them several times a year to discuss their marketing efforts and try to come up with new ideas for innovative products that we can introduce into the personal care market. We will be meeting with them at the beginning of March to discuss the significant increase in volume that we have seen from them, as well as to discuss the status of some new products that we expect to introduce to them and to our other global marketing partners this spring.

As I have mentioned previously during the past year, one of the major areas of research over the past two years has been on our new Lubrajel® II line of water-based moisturizing and lubricating gels, which were developed to be an extension to our very successful Lubrajel line of products. Last February we introduced Lubrajel® II XD, the first product in this new line, and we are now working on two additional products for this line, at least one of which we expect to have ready for introduction this spring.

We are also working on some other interesting new personal care products that I will discuss in more detail in the Annual Report. It is our goal to introduce at least one (and hopefully more) new personal care products each year, and with the help of our marketing partners we are being given new ideas that we hope will enable us to continue to supply the personal care market with new and innovative products.

Our clinical trial at Boston University testing the suitability of using Clorpactin®, our proprietary antimicrobial product, for the treatment of gingivitis is more than 50% completed, and by the time the Annual Report comes out I hope to have more details on our progress. The results of this test will enable us to make an informed decision as to whether this project is worth pursuing further. A previous small scale study had indicated that this product may be very effective for this use, but that there were some hurdles to overcome in terms of patient compliance due to the chlorine taste. This study should give us a better idea as to whether we have successfully masked the taste, which will make it a more marketable product and make it more practical to proceed further.

In the Annual Report I will go into more detail on these and some of the other projects on which we are working. We are very pleased with the continuing strength of our sales, and expect that when our earnings release goes out next month our stockholders will agree that our prospects for the future have never looked brighter.

Sincerely,

UNITED-GUARDIAN, INC.

A handwritten signature in black ink, appearing to read "Alfred R. Globus". The signature is fluid and cursive, with a prominent initial "A" and "G".

Dr. Alfred R. Globus
Chairman and CEO