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 March 31, 2004

☐ **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	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 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:

4,929,539

UNITED-GUARDIAN, INC.

INDEX

Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	THREE MONTHS ENDED March 31, 2004	THREE MONTHS ENDED March 31, 2003
Revenue:		
Net sales	$ 2,967,103	$ 3,217,533
Costs and expenses:		
Cost of sales	1,273,260	1,530,147
Operating expenses	645,851	631,698
	1,919,111	2,161,845
Income from operations	1,047,992	1,055,688
Other income (expense):		
Investment income	57,092	39,241
Gain on sale of assets	-	500
Other	(17)	-
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 common share (basic and diluted)	$ 0.14	$ 0.14
Weighted average shares - basic	4,923,966	4,881,139
Weighted average shares - diluted	4,936,652	4,894,293

See notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2004 (UNAUDITED)	December 31, 2003 (DERIVED FROM AUDITED FINANCIAL STATEMENTS)
Current assets:		
Cash and cash equivalents	$ 2,892,108	$ 2,710,029
Temporary investments	1,615,751	1,615,751
Marketable securities	6,175,001	6,098,986
Accounts receivable, net of allowance for doubtful accounts of 27,000 at March 31, 2004 and December 31, 2003	1,368,389	1,007,055
Inventories (net)	1,118,607	1,093,312
Prepaid expenses and other current assets	304,334	264,978
Deferred income taxes	202,087	207,817
Total current assets	13,676,277	12,997,928
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	2,882,200	2,825,125
Building and improvements	2,070,111	2,068,752
Waste disposal plant	133,532	133,532
	5,154,843	5,096,409
Less: Accumulated depreciation	4,122,892	4,070,158
	1,031,951	1,026,251
Other assets:		
Processes and patents, net of accumulated amortization of $981,797 and $981,732 at March 31, 2004 and December 31, 2003, respectively	-	65
Other	700	700
	700	765
	$ 14,708,928	$ 14,024,944

See notes to financial statements

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	March 31 2004 (UNAUDITED)	December 31, 2003 (DERIVED FROM AUDITED FINANCIAL STATEMENTS)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Dividends payable	$ -	$ 737,736
Accounts payable	605,293	309,921
Accrued expenses	431,262	350,769
Taxes payable	302,361	-
Total current liabilities	1,338,916	1,398,426
Deferred income taxes	10,000	10,000
Stockholders' equity:		
Common stock, $.10 par value; 10,0000,000 shares authorized; 4,991,739 and 4,984,439 shares issued, respectively; 4,929,539 and 4,922,239 shares outstanding, respectively	499,174	498,444
Capital in excess of par value	3,740,613	3,717,160
Accumulated other comprehensive loss	(21,170)	(30,614)
Retained earnings	9,501,025	8,791,158
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
Total stockholders' equity	13,360,012	12,616,518
	$ 14,708,928	$ 14,024,944

See notes to financial statements

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

	THREE MONTHS ENDED March 31, 2004	THREE MONTHS ENDED March 31, 2003
Cash flows provided by operating activities:		
Net income	$ 709,867	$ 703,429
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	52,799	51,075
Amortization of bond premium	-	3,060
Net gain on sale of equipment	-	(500)
Increase (decrease) in in cash resulting from changes in operating assets and liabilities		
Accounts receivable	(361,334)	(465,376)
Inventories	(25,295)	186,966
Prepaid expenses and other assets	(39,356)	95,434
Accounts payable	295,372	134,782
Accrued expenses and taxes payable	382,854	336,683
Net cash provided by operating activities	1,014,907	1,045,553
Cash flows from investing activities:		
Acquisition of plant and equipment	(58,434)	(27,730)
Proceeds from sale of equipment	-	500
Net change in temporary investments	-	387,832
Purchase of marketable securities	(938,764)	(866)
Proceeds from sale of marketable securities	877,923	30,000
Net cash (used in) provided by investing activities	(119,275)	389,736
Cash flows from financing activities:		
Proceeds from exercise of stock options	24,183	-
Dividends paid	(737,736)	(488,114)
Net cash used in financing activities	(713,553)	(488,114)
Net increase in cash and cash equivalents	182,079	947,175
Cash and cash equivalents at beginning of period	2,710,029	3,184,599
Cash and cash equivalents at end of period	$ 2,892,108	$ 4,131,774

See 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, 2004 and the results of operations and cash flows for the three months ended March 31, 2004 and 2003. The accounting policies followed by the Company are set forth in the Company's financial statements included in its December 31, 2003 Annual Report to Shareholders.

2. The results of operations for the three months ended March 31, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year.

3. Stock-Based Compensation: At its meeting on March 19, 2004 the Board of Directors of the Company approved the adoption of a new stock-based employee compensation plan to replace the previous two stock-based employee compensation plans that expired in 2003. The new plan covers both employees and Directors. The adoption and implementation of new plan is subject to ratification by the shareholders of the Company, which is expected to take place at the Company's annual meeting of stockholders that is set for May 19, 2004. 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 arrangements 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.

	Three months ended March 31, 2004	Three months ended March 31, 2003
Reported net income	$ 709,867	$ 703,429
Stock-based employee compensation expense included in reported net income, net of related tax effects	0	0
Stock-based employee compensation determined under the fair value based method, net of related tax effect	0	(7,216)
Pro forma net income	$ 709,867	$696,213
Earnings per share (basic and diluted)		
As reported	$ .14	$ .14
Pro forma	$ .14	$ .14

4. Inventories - Net

Inventories consist of the following:	March 31, 2004	December 31, 2003
Raw materials and work in process	$ 358,488	$ 225,443
Finished products and fine chemicals	760,119	867,869
	$1,118,607	$1,093,312

At March 31, 2004 and December 31, 2003, the Company has reserved $219,000 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 $56,272 and $345 for the three months ended March 31, 2004 and 2003, respectively.

6. Comprehensive Income (Loss)

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

	Three months ended March 31, 2004	2003
Net income	$709,867	$703,429
Other comprehensive income (loss) Unrealized gain (loss) on marketable securities	15,175	(5,126)
Income tax (benefit) on comprehensive gain (loss)	5,730	(1,913)
Other comprehensive income (loss)	9,445	(3,213)
Comprehensive income	$719,312	$700,216

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 March 31, 2004 and 2003.

	Three months ended March 31, 2004	Three months ended March 31, 2003
Numerator:		
Net income	$ 709,867	$ 703,429
Denominator:		
Denominator for basic earnings per share (weighted average shares)	4,923,966	4,881,139
Effect of dilutive securities:		
Employee stock options	12,686	13,154
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	4,936,652	4,894,293
Basic and diluted earnings per share	$ 0.14	$ 0.14

Options to purchase 8,500 shares of the Company's common stock have been excluded from the computation of diluted earnings per share in the three months ended March 31, 2003 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, 2003. 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 month periods ended March 31, 2004 and 2003.

	Three months ended March 31, 2004			2003		
	GUARDIAN	EASTERN	TOTAL	GUARDIAN	EASTERN	TOTAL
Revenues from external customers	$ 2,695,232	$ 271,871	$ 2,967,103	$ 2,895,975	$ 321,558	$ 3,217,533
Depreciation and amortization	25,846	-	25,846	20,196	-	20,196
Segment income (loss) before income taxes	1,103,931	(17,400)	1,086,531	1,113,714	(10,776)	1,102,938
Segment Assets	2,882,597	372,164	3,254,761	2,244,340	361,631	2,065,971
Capital Expenditure	54,592	-	54,592	16,833	-	16,833

Reconciliation to Consolidated Amounts

Income before income taxes	2004	2003
Total income for reportable segments	$ 1,086,531	$ 1,102,938
Other income, net	57,075	39,741
Corporate headquarters expense	(38,539)	(47,250)
Consolidated earnings before income taxes	$ 1,105,067	$ 1,095,429

ASSETS		
Total Assets for reportable segments	$ 3,254,761	$ 2,605,971
Corporate headquarters	11,454,167	9,785,076
Total consolidated assets	$14,708,928	$ 12,391,047

Other significant items

	Three Months ended March 31, 2004 Segment Totals	Corporate	Consolidated Totals	2003 Segment Totals	Corporate	Consolidated Totals
Capital Expenditures	$ 54,592	$ 3,842	$ 58,434	$ 16,833	$ 10,897	$ 27,730
Depreciation and amortization	25,846	26,953	52,799	20,196	33,939	54,135

Geographic Information

	2004 Revenues	Long-Lived Assets	2003 Revenues	Long-Lived Assets
United States	$ 1,779,488	$ 1,031,951	$ 1,598,340	$ 1,082,681
France	346,496		408,028	
Other countries	841,119		1,211,165	
	$ 2,967,103	$ 1,031,951	$ 3,217,533	$ 1,082,681

Major Customers

	2004	2003
Customer A (Guardian)*	$ 1,248,466	$ 1,477,024
Customer B (Guardian)	270,340	329 132
All other customers	1,448,297	1,411,377
	$ 2,967,103	$ 3,217,533

*** At March 31, 2004 Customer A and B had balances approximating 26% and 20% respectively of accounts receivable. At March 31, 2003 Customer A and B had balances approximating 47% and 21% respectively of accounts receivable.**

Item 2. Management's Discussion and Analysis or Plan of Operation

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 the end of FY-2003 on December 31, 2003, and a comparison of the results of operations for the three month period ended March 31, 2004 and March 31, 2003. 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, 2003.

RESULTS OF OPERATIONS

Gross revenue from operations

For the three month period ended March 31, 2004 net sales decreased $250,430 (7.8%) versus the comparable period in 2003. The Guardian Laboratories division ("Guardian") had a sales decrease of $200,743 (6.9%) while the Eastern Chemical subsidiary ("Eastern") had a sales decrease of $49,687 (15.5%).

The decrease in Guardian's sales is believed to be due mainly to normal fluctuations in purchasing patterns of its customers. The decrease in Eastern's sales is believed to be partially attributable to normal fluctuations in purchasing patterns of its customers, but may also be partially due to some loss of business due to the Company maintaining lower inventory levels as compared to the prior year.

Cost of sales

Cost of sales as a percentage of sales decreased to 42.9% for the three months ended March 31, 2004 from 47.6% for the comparable period ended March 31, 2003. This decrease is mainly due to a reduction in the capitalization of overhead for the three month period in 2004 as compared to the comparable period in the prior year.

Operating Expenses

Operating expenses increased $14,153 (2.2%) for the three months ended March 31, 2004 compared to the comparable period in 2003. Increases in expenses for the three month period were mainly due to payroll and payroll related costs, including bonus accrual.

Investment income

Investment income increased $17,851 (45.5%) for the three months ended March 31, 2004 when compared to the comparable period in 2003. This increase was attributable to an increase in investment in bonds with higher yields as opposed to lower-yielding money market funds and certificates of deposit. Investment income is recorded net of brokerage fees.

Provision for income taxes

The provision for income taxes increased $3,200 (0.8%) for the three months ended March 31, 2004 as compared to the comparable period in 2003. This increase is mainly due to increased investment income, partially offset by the decrease in operating income during the three months ended March 31, 2004, as compared to the comparable period in 2003.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from $11,599,502 at December 31, 2003 to $12,337,361 at March 31, 2004. The current ratio increased from 9.3 to 1 at December 31, 2003 to 10.2 to 1 at March 31, 2004. The Company has no commitments for any further significant capital expenditures during the remainder of 2004, 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 $1,014,907 and $1,045,553 for the three months ended March 31, 2004 and March 31, 2003 respectively. The decrease was primarily due to the net effect of increases and decrease in accounts receivable and accounts payable.

During the three month period ended March 31, 2004 $119,275 was used in investment activities, as compared to the three months ended March 31, 2003 when $389,736 was provided by investing activities. The change from $389,736 provided by investing activities in 2003 to $119,275 used in investing activities in 2004 was due to an increase in purchases of marketable securities (primarily bonds).

Cash used in financing activities was $713,553 and $488,114 for the three months ended March 31, 2004 and March 31, 2003 respectively. The increase is due primarily to an increase in dividends paid during the three months ended March 31, 2004 as compared to the three months ended March 31, 2003.

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: NONE
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 Alfred R. Globus, Chairman and Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Kenneth H. Globus, President and Chief Financial of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Alfred R. Globus, Chairman and Chief Executive Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Kenneth H. Globus, President and Chief Financial Officer of the Company, 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 March 12, 2004 pertaining to the issuance of an earnings release by the Company on March 12, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant 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: Ken Globus
Kenneth H. Globus
Chief Financial Officer

Date: May 7, 2004