UNITED GUARDIAN INC
Form 10KSB
March 29, 2004

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

FORM 1O-KSB

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003.

OR

[ ] TRANSITION REPORT UNDER SECTION 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.
(Name of small business issuer in its charter)

Delaware	11-1719724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
230 Marcus Blvd., Hauppauge, NY	11788
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (631) 273-0900

Securities registered pursuant to Section l2(b) of the Exchange Act: None

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	American Stock Exchange

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or l5(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 [ ]

Indicate by check mark if there is no disclosure herein of delinquent filers pursuant to Item 405 of Regulation S-B, and if, to the best of registrant's knowledge, no disclosure will be contained in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The Registrant's revenues for the fiscal year ended December 31, 2003 were $11,157,423.

On March 1, 2004 the aggregate market value of the Registrant's Common Stock (based upon the closing sales price of such shares on the American Stock Exchange as reported in The Wall Street Journal) held by non-affiliates of the Registrant was approximately $17,818,997. (Aggregate market value has been estimated solely for the purposes of this report. For the purpose of this report it has been assumed that all officers and directors of the Registrant, as well as all stockholders holding 10% or more of Registrant's stock, are affiliates of the Registrant. The statements made herein shall not be construed as an admission for determining the affiliate status of any person.)

As of March 1, 2004 the Registrant had issued 4,984,739 shares of Common Stock, $.10 par value per share ("Common Stock"), of which 4,922,539 shares were outstanding and 62,200 held as Treasury stock as of that date.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

DOCUMENTS INCORPORATED BY REFERENCE:

Certain information required by Part III (portions of Item 9, as well as Items 10 and 11) is incorporated by reference to the Registrant's definitive proxy statement (the "2004 Proxy Statement") in connection with its 2004 annual meeting of stockholders, which is to be filed no later than April 20, 2004 with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

This annual report on Form 10-KSB contains both historical and "forward-looking statements" within the meaning of the Private Securities

Litigation Reform Act of 1995, which provides a safe harbor for forward-looking statements by the Registrant about its expectations or beliefs concerning future events, such as financial performance, business prospects, and similar matters. The Registrant desires to take advantage of such "safe harbor" provisions and is including this statement for that express purpose. Words such as "anticipates", "believes", "expects", "intends", "future", and similar expressions identify forward-looking statements. Any such "forward-looking" statements in this report reflect the Registrant's current views with respect to future events and financial performance, and are subject to a variety of factors that could cause Registrant's actual results or performance to differ materially from historical results or from the anticipated results or performance expressed or implied by such forward-looking statements. Because of such factors, there can be no assurance that the actual results or developments anticipated by the Registrant will be realized or, even if substantially realized, that they will have the anticipated results. The risks and uncertainties that may affect Registrant's business include, but are not limited to: economic conditions, governmental regulations, technological advances, pricing and competition, acceptance by the marketplace of new products, retention of key personnel, the sufficiency of financial resources to sustain and expand Registrant's operations, and other factors described in this report and in prior filings with the Securities and Exchange Commission. Readers should not place undue reliance on such forward-looking statements, which speak only as of the date hereof, and should be aware that except as may be otherwise legally required of Registrant, Registrant undertakes no obligation to publicly revise any such forward-looking statements to reflect events or circumstances that may arise after the date hereof.

PART I

Item 1. Description of Business

(a) General Development of Business

The Registrant is a Delaware corporation that conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. The Registrant also distributes an extensive line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and reagents through a wholly owned subsidiary, Eastern Chemical Corporation ("Eastern").

The Registrant's predecessor, United International Research Corp. (name later changed to United International Research, Inc.), was founded and incorporated in New York in 1942 by Dr. Alfred R. Globus, the Registrant's Chairman and Chief Executive Officer. On February 10, 1982, a merger took place between the Registrant and Guardian Chemical Corp. ("GCC"), an affiliate of the Registrant, whereby GCC was merged into the Registrant and the name was changed to United-Guardian, Inc. On September 14, 1987, United-Guardian, Inc. (New York) was merged with and into United-Guardian, Inc., a newly incorporated Delaware corporation formed for the purpose of changing the domicile of the Registrant.

The Registrant operates in two business segments:

(1) The 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 Research and Development Department of Guardian engages in research and development in the fields of cosmetics, health care products, and specialty industrial chemical products, for the purpose of developing new products, and refining existing products that will be marketed or licensed by Guardian. Many of the products manufactured by Guardian, particularly its LUBRAJEL(R) line of products, are marketed worldwide through a network of

distributors, and are currently used by many of the major multinational cosmetic companies.

Guardian presently has a broad range of products, some of which are currently marketed, some of which are marketable but are not currently marketed by the Registrant, and some of which are still in the developmental stage. Of the products being actively marketed, the two largest product lines are the LUBRAJEL line of cosmetic ingredients, which accounted for approximately 67% of the Registrant's sales in 2003, and its RENACIDIN(R) IRRIGATION, a pharmaceutical product that accounted for approximately 16% of the Registrant's sales in 2003. The Registrant actively seeks other companies as potential marketers for its products, particularly for those products that are not yet being actively marketed by the Registrant.

(2) Eastern distributes an extensive line of fine organic chemicals, research chemicals, test solutions, indicators, dyes, stains, and reagents. The Registrant's business activities and marketing efforts over the past several years have focused increasingly on the Guardian division, which the Registrant believes has greater growth potential. Over the past several years the Registrant has significantly reduced Eastern's inventory levels in order to make the subsidiary more marketable in the event Registrant decides to sell the Eastern operation at some future date. This has resulted in some loss of sales on items that previously would have been in inventory, but for the most part Eastern's sales have not been significantly impacted by this reduction in inventory. Registrant believes that if the Registrant were to sell Eastern, the loss of revenue from that subsidiary would not significantly impact the Registrant's net income.

Paragon Organic Chemicals, Inc. ("Paragon") is a wholly owned subsidiary of the Registrant. It has no assets or sales of its own, and its sole function is to act as a purchasing arm of the Registrant.

(b) Narrative Description of Business

Guardian Laboratories Division

Guardian conducts research, product development, manufacturing and marketing of many different cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products, all of which are developed by the Registrant, and many of which have unique properties. The products manufactured by Guardian are marketed through marketing partners, distributors, direct advertising, mailings, and trade exhibitions. Guardian's proprietary cosmetic ingredients are sold through marketing partners and distributors and are incorporated into products marketed by many of the major international cosmetic companies. Many of Guardian's products are marketed through collaborative agreements with larger companies. The pharmaceutical products are sold to end users primarily through drug wholesalers. These sales include indirect sales to the Veteran's Administration and other government agencies. There are also a small number of direct sales to hospitals and pharmacies.

During 2003, Guardian's sales accounted for approximately 90% of Registrant's total product sales.

Guardian's products are sold under trademarks or trade names owned by the Registrant. The marks for the most important products, LUBRAJEL and RENACIDIN, are registered as trademarks in the United States Patent and Trademark Office ("Patent Office"). In 2003 sales from these two product lines accounted for approximately 91% of Guardian's sales, and 83% of the sales of the Registrant as a whole.

LUBRAJEL

LUBRAJEL is a line of nondrying water-based moisturizing and lubricating gels that have applications in the cosmetic industry primarily as a moisturizer and as a base for other cosmetic products, and in the medical field primarily as a lubricant. In the cosmetic industry it is used primarily as a stable gel for application around the eyes and on the face and as an ingredient in skin creams and moisturizers, makeup, body lotions, hair preparations, salves, and ointments. As a medical lubricant it has been used on prelubricated enema tips and thermometers, and as a lubricant for catheters. During 2003, sales of LUBRAJEL products increased 34% from $5,582,293 in 2002 to $7,476,719 in 2003. Sales of LUBRAJEL products represented 74% of Guardian's sales and 67% of the sales of the Registrant as a whole. The most important product in the LUBRAJEL line in 2003 was LUBRAJEL CG, the original form of LUBRAJEL, the sales of which increased 6% from $1,931,408 in 2002 to $2,041,015 in 2003. Sales of the second largest revenue producer in the Lubrajel line, LUBRAJEL OIL, more than doubled in 2003, increasing from $610,997 in 2002 to $1,434,502 in 2003, an increase of 135%, eclipsing the company's second largest revenue producer from the prior year, LUBRAJEL MS, which still increased 16% from $1,188,170 in 2002 to $1,373,648 in 2003. The Registrant believes that the significant increase in sales of its LUBRAJEL products in 2003 was the result of increased market penetration resulting from the continuing marketing efforts of Registrant's marketing partners, particularly ISP. A significant portion of the increase in sales of LUBRAJEL OIL was attributable to a new product introduction containing LUBRAJEL OIL by a major global cosmetics company.

Registrant believes that its ability to increase sales of its LUBRAJEL products will depend on (a) the ability of Registrant's marketing partners and distributors to continue to bring the product to the attention of new customers, and (b) Registrant's success in bringing to market new forms of LUBRAJEL that will enable the product to be used in new applications. Registrant is currently developing new varieties of LUBRAJEL for this purpose, and is in the process of introducing several new types of LUBRAJEL products under a "LUBRAJEL II" designation, which it hopes will expand its market for this product line. Registrant believes that there is still significant potential to expand the sales of its LUBRAJEL line of products by (a) increasing the number of potential products in which it can be used, and (b) by continuing to increase its marketing efforts into new markets that have only been developed recently, such as in China.

Registrant is also continuing to work with a global personal care products company in the U.K. that is using LUBRAJEL FLUID, a modified form of LUBRAJEL, as a condom lubricant. The initial expectations for this product have not been realized due to the decreased urgency on the part of the customer to switch to Registrant's product from the silicone-based product they are currently using.

However, the customer is continuing to expand its purchases, and Registrant expects sales to gradually increase as it is incorporated further into their product lines.

Registrant believes that any sales increases in the LUBRAJEL line of products may be offset somewhat by continuing competition from products introduced by Registrant's competitors. Despite this competition, Registrant believes that it will still be able to expand the market for its LUBRAJEL product line. Registrant believes that LUBRAJEL'S reputation for quality and customer service will enable it to continue to compete effectively in the marketplace.

RENACIDIN

RENACIDIN is a urological prescription drug, approved in the U.S. only, which is used primarily to prevent the formation of and to dissolve calcifications in catheters implanted in the urinary bladder. It is marketed as

a ready to use sterile solution under the name "RENACIDIN IRRIGATION". RENACIDIN IRRIGATION is also approved for use in dissolving certain types of kidney stones. On October 9, 1990, the Patent Office issued to the Registrant patent # 4,962,208, which expires on October 9, 2007, covering the method of manufacturing RENACIDIN IRRIGATION. Sales of RENACIDIN IRRIGATION in 2003 accounted for 17% of Guardian's sales and 16% of the sales of the Registrant as a whole. Sales of RENACIDIN IRRIGATION in 2003 increased 14% from $1,538,191 in 2002 to $1,748,106 in 2003. This increase was the result of a 9% increase in unit sales as well as a price increase that went into effect on June 1, 2003, which accounted for the remainder of the sales increase. In prior years, unit sales have also been affected by the ordering patterns of drug wholesalers.

Other Products

Other significant products that are manufactured and sold by Guardian but which did not individually comprise more than 5% of the Registrant's sales in 2003 are as follows:

CLORPACTIN(R) WCS-90 is a microbicidal product used primarily in urology and surgery as an antiseptic for treating a wide range of localized infections in the urinary bladder, the peritoneum, the abdominal cavity, the eye, ear, nose and throat, and sinuses. The product is a white powder that is made into a liquid prior to use. It is a powerful disinfectant, fungicide, deodorizer, bleach, and detergent. Sales of CLORPACTIN were up 6% from $296,764 in 2002 to $313,277 in 2003. This change was primarily the result of a price increase implemented on June 1, 2003, as well as a slight increase in unit sales.

KLENSOFT(TM) is a surfactant (a surface active agent, such as a soap or detergent, that can reduce the surface tension of a liquid and thus allow it to foam or penetrate solids or act as a wetting agent), that can be used in shampoos, body washes, makeup removers, and other cosmetic formulations. The primary customer for Klensoft for many years has been in Taiwan, and over the past few years there have been new customers for the product in the United Kingdom, Australia, France and Korea. Klensoft sales in 2003 were $140,238, virtually the same as the prior year sales level. Although Registrant has thought that sales in 2003 would increase over 2002, the erratic purchasing patterns of the major customer in Taiwan make it difficult to predict sales from year to year.

LUBRAJEL PF is a preservative-free form of LUBRAJEL currently being marketed primarily by Societe D'Etudes Dermatologiques ("Sederma") under the tradename "Norgel". Sederma is the Registrant's distributor of LUBRAJEL in France and a major European cosmetic ingredient supplier. It is also distributed

by some of Registrant's other marketing partners under the name LUBRAJEL PF. Tests conducted by Sederma indicated that the product self-preserved, and aided in the preservation of other cosmetic ingredients with which it was formulated. Sales of Lubrajel PF increased 41% from $60,900 in 2002 to $85,699 in 2003. (These sales are already included in the total Lubrajel sales figure mentioned previously). This increase is primarily the result of purchasing patterns.

LUBRAJEL RR and RC are special grades of LUBRAJEL that can withstand sterilization by gamma radiation, which is one of the methods of terminally sterilizing medical and hospital products. On April 11, 1995, the Registrant was granted a U.S. patent for this unique form of LUBRAJEL. In September, 1994 the Registrant entered into a marketing agreement with Avail Medical (formerly "Horizon Medical, Inc."), a California company engaged in the development and manufacturing of products and services to the medical device and pharmaceutical industries. Avail has been actively marketing LUBRAJEL RC since January, 1996. Sales of LUBRAJEL RC increased by 37% from $318,636 in 2002 to $437,101 in 2003. (These sales are already included in the total Lubrajel sales figure mentioned previously). Sales to Avail have shown a steady increase over the past three

years.

CONFETTI(TM) II DERMAL DELIVERY FLAKES is a product line introduced in 2000 that incorporates various functional oil-soluble ingredients into colorful flakes that can be added to, and suspended in, various water-based products. The product color and ingredients can be customized to meet the needs of individual customers. Sales of Confetti II increased from $34,952 in 2002 to $52,886 2003, an increase of 51%.

Other products that do not have significant sales at the present time but have the potential for increased sales in the future, and which as a group constituted approximately 5% of Registrant's sales in 2003, are as follows:

LUBRASIL and LUBRASIL DS are special types of LUBRAJEL in which silicone oil is incorporated into a LUBRAJEL base by microemulsification, while maintaining much of the clarity of regular LUBRAJEL. The products have a silky feel, and are water resistant while moisturizing the skin. (These sales are already included in the total Lubrajel sales figure mentioned previously).

RAZORIDE(TM) is a clear, hypo-allergenic, non-foaming, water-based shaving product that is surfactant and soap-free and has excellent lubricity and moisturizing properties.

UNITWIX(R) is a cosmetic additive used as a thickener for oils and oil-based liquids. It is a proprietary, unpatented product that does not require government approval to market. A new form of Unitwix was introduced in fiscal year 2000.

DESELEX(R) is a replacement for phosphates in detergents.

B-122(TM) and a related product, LUBRASLIDE(TM), are powdered lubricants used in the manufacture of cosmetics such as pressed powders, eye liners, and rouges. They are used as binders for these products, increasing their drop strength and lowering the coefficient of friction and water-repellency.

HYDRAJEL PL and HYDRAJEL VM are personal lubricants and moisturizers developed specifically for the feminine personal care market. Although sales have not been significant to date, a number of companies are evaluating these products for possible inclusion into their product lines.

ORCHID COMPLEX(TM) is a successor product to Registrant's previous Oil of Orchids product and is a base for skin creams, lotions, cleansers, and other cosmetics. This product is an extract of fresh orchids, modified by extractants, stabilizers, and preservatives, and is characterized by its excellent lubricity, spreadability and light emolliency. Because of its alcohol solubility, it may also be used in fragrance products such as perfumes and toiletries. Its light emolliency lends use in shampoos, bath products and facial cleansers. It is also a superior emollient for sunscreens, vitamin creams, toners and skin serums. It is sold in two forms, water-soluble and oil soluble.

Development Activities

Guardian's Research and Development Department has developed a large number of products that can be used in many different industries, including the pharmaceutical, medical, cosmetic, health care, and specialty chemical industries. These products are in various stages of development, some being currently marketable and some being in the very early stages of development requiring a substantial amount of development work to bring them to market. New uses for currently marketed products are also being developed. Once a product is created, the initial development work on it may consist of one or more of the following: (a) laboratory refinements and adjustments to suit the intended uses of the product; (b) stability studies to determine the effective shelf-life of

the product and suitable storage and transportation conditions for the product; and (c) laboratory efficacy tests to determine the effectiveness of the product under different conditions.

After the Research and Development Department has completed its initial work on a product and is satisfied with the results of that work, further development work to bring the product to market will continue, including some or all of the following: (a) animal and human clinical studies needed to determine safety and effectiveness of drug or medical device products, which would be needed for submissions to the appropriate regulatory agencies, such as the United States Food and Drug Administration ("FDA") or the United States Environmental Protection Agency ("EPA"); (b) preparatory work for the filing of Investigational New Drug Applications or New Drug Applications; (c) market research to determine the marketability of the product, including the potential market size and most effective method of marketing the product; (d) scaling up from laboratory production batches to pilot batches, and then to full scale production batches, including the determination of the type of equipment necessary to produce the product; (e) upgrading or purchasing new equipment to manufacture the products; and (f) the negotiation of joint venture or distribution agreements to develop and/or market the product. Some of the foregoing work may be done by outside contractors.

While there can be no assurance that any particular project will result in a new marketable product or a commercially successful product, the Registrant believes that a number of its development projects, including those discussed below, may have commercial potential.

LUBRAJEL

Registrant's major research focus at the present time is the development of new and unique personal care ingredients. The following are some of the projects the Registrant is working on at the present time:

"Lubrajel II": This is a new line of water-based gels that will be supplements to, and not replacements for, the current Lubrajel line. The products in this line will consist of a modified Lubrajel composition that enhances some of the properties of the current Lubrajel line, and allows it to be used as a drop-in replacement for one of Lubrajel's main competitors. Its composition also will enable it to be used in certain countries, such as Japan, more easily than the current Lubrajel formulation. The first product in this line, "Lubrajel II XD", was introduced last spring, and while sales are still small, they are gradually increasing. The second product in this line, "Lubrajel II XL", will be a high lubrication gel. Registrant anticipates introducing this product in the second quarter of 2004. In addition, a new preservative-free form is also under development. Registrant believes that this new line will enable it to recover some of the business it has lost to its competitors over the years, and will give customers even greater formulating choices.

"PLEXAJEL(R)": This product, marketed by the Registrant under the name "Plexajel ASC" (for "Acid Stable Complex") was introduced last year. Its formulation was developed to allow customers to incorporate low pH ingredients, such as alpha hydroxy acids, into clear, water-based gel formulations. Sales of this new product were lower than expected because customers were finding that too high a percentage of the product needed to be used in their formulations in order to take full advantage of its properties. Registrant is currently working with its marketing partners to reposition this product for better marketability, and hopes to find new uses for it that were not originally envisioned.

CLORONINE

Cloronine is a powerful disinfectant, germicide, and sanitizer for disinfecting medical and surgical instruments and equipment (particularly where

autoclaves are not available), and for the purification of water supplies. The product had been approved for certain uses in France and Canada, and is still being sold in Canada. Registrant is currently working with a new potential customer for this product; however, before this product can be marketed in the United States for any purpose, additional tests will have to be done to determine if the product can be registered with the EPA as a sterilant or germicide. These tests would comprise laboratory microbiological studies, compatibility studies, and specific studies on its intended uses. The product will also have to be registered with the FDA as an accessory to a medical device. Neither registration process has yet begun. Due to the expense and time required, the Registrant hopes to work jointly with other companies to obtain these registrations. The Registrant was granted two patents for this product.

CLORPACTIN

In 2002 the Registrant completed a small preliminary clinical trial in conjunction with the School of Dental Medicine at Boston University to determine whether Clorpactin, Registrant's proprietary antimicrobial product, would be effective in the treatment of gingivitis and other periodontal disease. The results of that initial test were very positive, but indicated that it would be necessary to alter the taste of the product in order to achieve the proper patient compliance. As a result, the Registrant is conducting an additional larger study with Boston University using a modified form of Clorpactin that Registrant hopes will solve that problem. The study is ongoing at the present time, and interim results have been mixed, with many participants still not satisfied with the taste. After all the results are in, Registrant will make a determination as to whether it can resolve the outstanding issues sufficiently to justify continuing with the project. If it is decided to continue the project, Registrant intends to endeavor to locate a partner to work with it to obtain the regulatory approvals that will be needed in order to market the product for this new use.

Trademarks and Patents

The Registrant strongly believes in protecting its intellectual property and intends whenever possible to make efforts to obtain patents in connection with its product development program. The Registrant currently owns many United States patents and trademarks relating to its products. The Registrant has patent and trademark applications pending with respect to a number of its research and development products. Patents formerly held by the Registrant on certain products have expired. There can be no assurance that any patents held by the Registrant will be valid or otherwise of value to the Registrant or that any patent applied for will be granted. However, the Registrant believes that its proprietary manufacturing techniques and procedures with respect to certain products offer it some protection from duplication by competitors regardless of the patent status of the products.

The various trademarks and trade names owned or used by the Registrant in Guardian's business are of varying importance to the Registrant. The most significant products for which the Registrant has a registered trademark are LUBRAJEL, RENACIDIN, and CLORPACTIN.

Set forth below is a table listing certain information with respect to all unexpired U.S. patents held by the Registrant:

PATENT NAME	PATENT #	ISSUE DATE
Treatment of Hazardous Waste - ternary alloy and oil	4,695,400	9/22/87

slurry thereof; sodium, copper, lead		
Iodophor; Polyethylene Glycol Alkylaryl-sulfonate Iodine complex	4,873,354	10/10/89
Thermal Resistant Microbial Agent ("Cloronine")	4,954,316	9/4/90
Method of Preparing Time-Stable Solutions of Non-Pyrogenic Magnesium Gluconocitrate ("Renacidin Irrigation")	4,962,208	10/9/90
Use of Clorpactin for the Treatment of Animal Mastitis & the applicator used in that treatment (owned jointly by the Registrant and Diversey Ltd.)	4,983,634	1/8/91
Iodophor; biocide; reacting polyethylene glycol, alkylarylsulfonate and Iodine water-propylene glycol solvent refluxing	5,013,859	5/7/91
Stabilized Beta Carotene	5,023,355	6/11/91
Stable, Active Chlorine Containing Anti-microbial Compositions ("Cloronine")	5,128,342	7/7/92
Gamma Radiation Resistant Lubricating Gel	5,405,622	4/11/95
Delivery system for oil soluble actives in cosmetic/ personal care products	6,117,419	9/12/00
Microemulsion of silicone in a water-based gel that forms a clear, transparent, highly stable moisturizer and lubricant for cosmetic and medical use	6,348,199	2/19/02

The Registrant requires all employees and consultants who may receive proprietary information to agree in writing to keep such proprietary information confidential.

Eastern Chemical Corporation

Eastern is a wholly owned subsidiary of the Registrant. It distributes an extensive line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and stains, and reagents. In 2003, Eastern's sales accounted for approximately 10% of the total product sales of the Registrant versus 13% in 2002. Eastern's sales decreased by 6% in 2003. The decrease was partially the result of a loss of sales due to Registrant's continuing efforts to reduce Eastern's inventory, which resulted in an inability to supply certain items that required immediate shipment from inventory, and partly the result of a general decrease in Eastern's business due to competition from new companies in this field. Registrant believes that much of the impact from the reduction in Eastern's inventory has already been absorbed over the past three years.

Marketing

Guardian markets its products through (a) distributors; (b) advertising in medical and trade journals, by mailings to physicians and to the trade; and (c) exhibitions at appropriate medical meetings. The pharmaceutical products are sold in the United States primarily to drug wholesalers that distribute to drug stores for resale, and to hospitals, physicians, the Veteran's Administration, and other government agencies. The proprietary personal care and specialty chemical products are sold to distributors for resale and directly to manufacturers for use as ingredients or additives in the manufacture or compounding of their cosmetic, personal care, or chemical products.

Eastern's products are marketed through advertising in trade publications and direct mailings. They are sold to distributors and directly to users in a wide variety of applications. Eastern does not sell any unique products and is not dependent on any single customer or group of customers on a continuous basis.

Domestic Sales

In the United States Registrant's cosmetic products are marketed exclusively by International Specialty Products ("ISP") in accordance with a marketing agreement entered into in 1996 and subsequently amended and expanded in 2000, and 2002 (see "Marketing Agreements" below). ISP also has certain rights to sell some of Registrant's other industrial and medical products. In 2003, ISP's purchases for distribution in the United States were estimated to be approximately $1,667,254 compared to $837,218 in 2002, an increase of 99%, and accounted for approximately 15% of the Registrant's sales (an estimate based on sales information provided to Registrant by ISP.

Registrant has no way of independently determining which of ISP's purchases from Registrant are intended for domestic sale and which are intended for foreign sale.) Registrant believes that the increase in ISP's domestic sales of Registrant's products was due new product launches as well as increased overall demand for Registrant's product in the U.S.

Registrant's domestic sales of pharmaceutical products are handled primarily through the major full-line drug wholesalers and account for approximately 18% of Registrant's sales. Registrant's other products, such as its industrial products, are sold directly to end-users and account for less than 2% of sales

Foreign Sales

In 2003 and 2002 Registrant derived approximately 49% of its sales from customers in foreign countries, primarily from sales of its cosmetic products in Europe and Asia. The Registrant currently has 6 distributors for its cosmetic products outside the United States: S. Black Ltd. in the United Kingdom ("S. Black"); Sederma in France; Luigi & Felice Castelli S.R.L. in Italy; S. Black Gmbh in Switzerland; C&M International in Korea; and ISP in Germany, Spain, Scandinavia, Eastern Europe, the Benelux countries, Canada, Mexico, South & Central America, Asia (with the exception of Korea), and most of the remaining foreign markets. Registrant's foreign sales attributable to each of its foreign distributors as a percentage of Registrant's total foreign sales were as follows: ISP: 50% (an estimate of ISP's purchases intended for sale outside the U.S., based on foreign sales figures provided to the Registrant by ISP); Sederma: 20%; S. Black: 9%; C&M International: 8%; and Castelli: 2%.

Marketing Agreements

ISP

In December, 2002 Registrant entered into a new marketing agreement with ISP, which modified and consolidated three previous marketing agreements entered into with ISP in 1994, 1996, and 2000. The previous agreements had granted ISP the right to market Registrant's personal care products, as well as some medical and industrial products, in the United States, Canada, Mexico, Central and South America, Europe (excluding France, Italy, and Switzerland), Asia (except Korea), Australia, and Africa. The 2000 agreement gave Registrant greater flexibility in appointing other marketing partners in areas where ISP is not active or has not been successful, and gave ISP certain additional territories in which they can market the Registrant's products. The agreement provided for exclusivity for ISP in those markets as long as annual minimum purchase requirements were met. The

2002 agreement provided for automatic extensions of the agreement through December, 2008 provided ISP meets certain purchase requirements during each year of the agreement. ISP manufactures and markets an extensive line of personal care, pharmaceutical, and industrial products on a global basis.

Registrant believes that in the event ISP were to cease marketing Registrant's products, alternative arrangements could be made to continue to supply product to the customers currently using Registrant's products without any significant interruption of supply.

Registrant has other marketing arrangements with marketing partners in the U.K, France, Switzerland, Korea, and Italy, but all of these other arrangements are operating under either verbal agreements or expired written agreements, and are subject to termination at any time by either party.

Raw Materials

The principal raw materials used by the Registrant consist of common industrial organic chemicals, laboratory reagents, and common inorganic chemicals. Most of these materials are available in ample supply from numerous sources. The Registrant's principal raw material suppliers are Proctor and Gamble, Callahan Chemical Company, Univar USA, Inc., Protameen Chemicals Inc., Alzo, Inc., Esprit Chemical Company LP, Eastman Chemical Products, Clariant Corp., Ishihara U.S.A., Nissei Trading Co., Varessa, Ltd., E.I. duPont, S.A. Fine Chemicals, and Loba Chemie.

Inventories; Returns and Allowances

The Registrant's business requires that it maintain moderate inventories of certain of its finished goods. Historically, returns and allowances have not been a significant factor in the Registrant's business.

Backlog

The Registrant currently does not have any significant backlog.

Competition

Guardian has many products or processes that 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, personal care, chemical, or health care companies. However, the pharmaceutical, health care, and cosmetic industries are all highly competitive, and the Registrant expects competition to intensify as advances in the field are made and become widely known. There may be many domestic and foreign companies that are engaged in the same or similar areas of research as those in which the Registrant is engaged, many of which have substantially greater financial, research, manpower, marketing and distribution resources than the Registrant. In addition, there are many large, integrated and established pharmaceutical, chemical and cosmetic companies that have greater capacity than the Registrant to develop and to commercialize types of products upon which the Registrant's research and development programs are based. However, Registrant believes that the expense of testing and evaluating possible substitutes for Registrant's products that are already in customers' formulations, as well as the expense to the customer in relabeling its products, is a significant barrier to displacing Registrant's products in current customer formulations. These cost factors make it less likely that a customer would choose a competitive product unless there was a significant cost savings in doing so. The Registrant believes that manufacturing, regulatory, distribution and marketing expertise will be increasingly important competitive factors in favor of the Registrant. In this regard, the Registrant believes that arrangements with major health care and medical or hospital products suppliers will be important factors in the

commercialization of many of the products which it is currently developing.

Eastern faces competition from many other chemical manufacturers and distributors, many of which have much greater financial resources than those of the Registrant. Eastern's competition is based primarily upon price, service and quality. Eastern attempts to maintain its competitive position in the industry through its ability to (i) locate and make wholesale arrangements to purchase the chemicals with suppliers located all over the world, (ii) maintain a sufficient inventory of its most popular items at all times, and (iii) customize each order as to quantity of the item requested and to tailor the price of the order to such quantity. Eastern's primary competitors are SA Fine Chemicals, Acros Organics, Pfaltz & Bauer, Inc., and Spectrum Chemical Mfg. Corp.

ISO-9001:2000 REGISTRATION

In December, 2003 Registrant earned ISO 9001:2000 registration from Underwriters Laboratories, Inc., indicating that the Registrant's documented procedures and overall operations had attained the high level of quality needed to comply with this new ISO certification level. Prior to that, in November, 1998 the Registrant had earned ISO-9002 registration, and had been in continual compliance with that standard since that time. Registrant will continue to be evaluated every six months for continued compliance with the new ISO-9001:2000 standard, and is currently in good standing under this new registration.

Government Regulation

Regulation by governmental authorities in the United States and other countries is a significant factor in the manufacturing and marketing of many of the Registrant's products. The Registrant and many of Registrant's products are subject to certain government regulations. Products that may be developed and sold by the Registrant in the United States may require approval from federal regulatory agencies, such as the FDA, as well as state regulatory agencies. Products that may be developed and sold by the Registrant outside of the United

States may require approval from foreign regulatory agencies. Any medical device products developed by the Registrant will be subject to regulation by the Center for Devices and Radiological Health of the FDA, and will usually require a 510(k) pre-market notification. Most pharmaceutical products will require clinical evaluation under an Investigational New Drug ("IND") application prior to submission of a New Drug Application ("NDA") for approval of a new drug product.

A drug product normally must go through several phases in order to obtain FDA approval. The research phase involves work up to and including discovery, research, and initial production. Next is the pre-clinical phase, which involves studies in animal models necessary to support an IND application to the FDA and foreign health registration authorities to commence clinical testing in humans. Clinical trials for pharmaceutical products are conducted in three phases. In Phase I, studies are conducted to determine safety and dosages. In Phase II, studies are conducted to gain preliminary evidence as to the efficacy of the product. In Phase III, studies are conducted to provide sufficient data for the statistical proof of safety and efficacy, including dose regimen. Phase III is the final stage of such clinical studies prior to the submission of an application for approval of an NDA. The amount of time necessary to complete any of these phases cannot be predicted with any certainty.

In all cases, the Registrant is required to comply with all pertinent Good Manufacturing Practices of the FDA for medical devices and drugs. Accordingly, the regulations to which the Registrant and certain of its products may be subject, and any changes with respect thereto, may materially affect the Registrant's ability to produce and market new products developed by the Registrant.

The Registrant's present and future activities are, and will likely continue to be, subject to varying degrees of additional regulation under the Occupational Safety and Health Act, Environmental Protection Act, import, export and customs regulations, and other present and possible future foreign, federal, state and local regulations.

Portions of the Registrant's operating expenses are directly attributable to complying with federal, state, and local environmental statutes and regulations. In 2003 and 2002 the Registrant incurred approximately $47,000 and $43,000 respectively, in environmental compliance costs.

Research and Development Expense

Portions of the Registrant's operating expenses are directly attributable to research and development the Registrant performs. In 2003 and 2002, the Registrant incurred approximately $403,000 and $348,000, respectively, in research and development expenses. No portion of the research and development expenses was directly paid by the Registrant's customers.

Employees

The Registrant presently employs 43 people, 7 of whom serve in an executive capacity, 21 in research, quality control and manufacturing, 5 in maintenance and construction, and 10 in office and administrative work. Of the total number of employees, 41 are full time employees. None of the Registrant's employees are covered by a collective bargaining agreement. The Registrant believes that its relations with its employees are satisfactory.

Item 2. Description of Property.

The Registrant maintains its principal office, factory, and conducts most of its research at 230 Marcus Boulevard, Hauppauge, New York 11788. These premises, which the Registrant owns, contain approximately 30,000 square feet of manufacturing space, 15,000 square feet of warehouse space, and 5,000 square feet of office and laboratory space on approximately 2.7 acres of land. The Registrant has now fully developed the 2.7 acres, and fully utilizes the buildings occupying the land. The Registrant believes that the aforementioned property is adequate for its immediately foreseeable needs. The property is presently unencumbered and is adequately insured.

Item 3. Legal Proceedings

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 met with the EPA, which accepted the Company's explanation that its failure to comply was inadvertent, and entered into a consent decree that neither admitted nor denied any liability but provided for a civil penalty of $23,000, which the Company paid. 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 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information

The Common Stock of the Registrant is traded on the American Stock Exchange (the "AMEX") under the symbol "UG". The following table sets forth for the periods indicated the high and low closing sale prices of the shares of Common Stock, as reported by the AMEX Market Statistics for the period January 1, 2002 to December 31, 2003. The quotations represent prices between dealers and do not include retail markup, markdown or commission:

Quarters		Year Ended December 31, 2003		Year Ended December 31, 2002	
		High	Low	High	Low
First	(1/1 - 3/31)	$ 4.63	4.00	$ 6.36	$ 5.10
Second	(4/1 - 6/30)	$ 8.60	4.29	$ 7.36	$ 5.20
Third	(7/1 - 9/30)	$ 8.55	6.95	$ 5.45	$ 3.74
Fourth	(10/1 - 12/31)	$ 8.90	7.35	$ 4.20	$ 3.25

Holders of Record

As of March 1, 2004 there were 1297 holders of record of Common Stock.

Cash Dividends

On January 5, 2004 the Registrant paid a $.15 per share dividend to all stockholders of record as of December 15, 2003. On January 8, 2003 the Registrant paid a $.10 per share dividend to all stockholders of record as of December 20, 2002.

Item 6. Management's Discussion and Analysis or Plan of Operation

Results Of Operations:
Year Ended December 31, 2003 Compared to
Year Ended December 31, 2002

Revenue

Consolidated revenue in 2003 increased by $2,066,007 (23%) compared to 2002 due to a revenue increase in the Guardian Division of $2,130,549 (27%) partially offset by a decrease in revenues in the Eastern Division of $64,542 (6%).

The increase in Guardian's sales 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 Guardian's products.

The decline in Eastern's sales was partially the result of a loss of sales due to the Company's continuing efforts to reduce Eastern's inventory, which

resulted in an inability to supply certain items that required immediate shipment from inventory. Also contributing to the decline was a general decrease in Eastern's business due to competition from new companies in this field. 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 in 2003 decreased to 45.4% from 53.9% in the prior year. This decrease is mainly due to (a) increased sales resulting in increased manufacturing, which reduced the per unit overhead cost, resulting in a favorable production variance, and (b) savings in disposal costs and obsolete inventory of approximately $60,000 and $147,000 in 2003 and 2003 respectively. The Company had recorded such reserves in prior years. Excluding the savings from the disposal and obsolete inventory, cost of sales as a percentage of sales, would have been 47.3%.

Operating Expenses

Operating expenses increased by $152,210 (7%) compared to the prior year. The increase is due to increases in Director fees, insurance costs, payroll related costs, bad debt write offs, research and development, advertising costs and the payment of a civil fine (see "Legal Proceedings"). These increases were partially offset by decreases in depreciation and amortization expenses, legal expenses and office expenses.

Other Income (Expense)

Investment income decreased to $168,867 in 2003 from $192,132 in 2002. This 12% decrease is attributable to a decline in interest rates.

Provision for Income Taxes

The provision for income taxes increased to $1,339,757 in 2003 from $662,341 in 2002. The increase was due to an increase in income before taxes of $1,727,065 (83%) for the year ended December 31, 2003.

Liquidity and Capital Resources

Working capital increased to $11,599,502 at December 31, 2003 from $9,578,365 at December 31, 2002, an increase of $2,021,137 (21%). The current ratio decreased to 9.3 to 1 at December 31, 2003 from 10.4 to 1 at December 31, 2002. The decrease in current ratio was due primarily to an increase to $.15 per share for the dividends declared in 2003 and paid in 2004 as compared to $.10 per share that was declared in 2002 and paid in 2003.

The Company has a line of credit agreement with a bank for borrowings of up to $700,000, which expires in May, 2004 and which the Company plans to renew. As of December 31, 2003, there were no outstanding borrowings on this line of credit.

The Company generated cash from operations of $2,631,957 in 2003 compared to $1,944,067 in 2002. The increase in 2003 was primarily due to the increase in net income. During 2003 and 2002 the Company invested approximately $118,179 and $131,650, respectively, in plant and equipment. Cash used in investing activities was $2,764,260 for the year ended December 31, 2003, whereas cash provided by investing activities was $91,744 for the year ended December 31,

2002. The decrease of $2,856,004 was mainly due to the purchase of marketable securities (primarily bonds) and the redemption of some certificates of deposit. Cash used in financing activities was $342,267 and $451,069 during the years ended December 31, 2003 and 2002, respectively. The decrease was primarily due to an increase in proceeds from stock options exercised during 2003. The Company believes that its working capital is sufficient to support its operating requirements for the next fiscal year. The Company's long-term liquidity position will be dependent upon its ability to generate sufficient cash flow from profitable operations. The Company has no material commitments for future

capital expenditures.

Commitments

The Company currently does not have any significant commitments.

Impact of Inflation, Changing Prices, and Seasonality

While it is difficult to assess the impact of inflation on the Company's operations, management believes that, because of the proprietary nature of the majority of its product line, inflation has had little impact on net sales. Sales have changed as a result of volume and product mix. While inflation has had an impact on the cost of sales and payroll, these increases have been recaptured by price increases to the greatest extent possible. The Company's products and sales are not considered to be seasonal, and are generally distributed evenly throughout the year.

Critical Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. As such, some accounting policies have a significant impact on amounts reported in the financial statements. A summary of those significant accounting policies can be found in Notes to Financial Statements: Note A - Nature of Business and Summary of Significant Accounting Policies. In particular, judgment is used in areas such as determining the allowance for doubtful accounts, adjustments to inventory valuations, and asset impairments.

Item 7. Financial Statements.

Annexed hereto starting on page F-1

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Required.

Item 8A. Controls and Procedures

As of March 1, 2004, an evaluation was performed by the Registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on that evaluation, the Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures are effective in ensuring that material information related to the Registrant is made known to them by others within the Registrant. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect internal controls subsequent to March 1, 2004.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

Directors and Executive Officers

Set forth in the table below is certain information as of March 1, 2004 with respect to the executive officers and directors of the Registrant:

Name	Age	Position(s) with the Registrant

Dr. Alfred R. Globus	83	Chairman of the Board, Chief Executive Officer and Director
Kenneth H. Globus	52	President, Chief Financial Officer, General Counsel and Director
Robert S. Rubinger	61	Executive Vice President, Secretary, Treasurer and Director
Charles W. Castanza	71	Senior Vice President and Director
Derek Hampson	64	Vice President
Joseph J. Vernice	45	Vice President
Peter A. Hiltunen	45	Vice President
Lawrence F. Maietta	46	Director
Henry P. Globus	81	Director
Benjamin Wm. Mehlman	93	Director
Arthur M. Dresner	62	Director
Andrew A. Boccone	58	Director

Dr. Alfred Globus has been Chairman of the Board and Chief Executive Officer of the Registrant since July, 1988. He served as Chairman of the Board and President of the Registrant from the inception of the Registrant in 1942 until July, 1988. He has been a director of the Registrant since 1942.

Kenneth H. Globus has been President and General Counsel of the Registrant since July, 1988. He served as Vice President and General Counsel of the Registrant from July, 1983 until July, 1988. He has been a director of the Registrant since 1984. He became the Chief Financial Officer in November, 1997.

Robert S. Rubinger has been Executive Vice President and Secretary of the Registrant since July, 1988, and Treasurer since May, 1994. He served as Vice President and Secretary of the Registrant from February, 1982 until July, 1988. He has been a director of the Registrant since 1982.

Charles W. Castanza has been a Senior Vice President of the Registrant since March 2000. He served as Vice President from April, 1986 until March 2000. He served as Operations Manager of Chemicals and Pharmaceuticals of the Registrant from February, 1982 until April, 1986. He has been a director of the Registrant since 1982.

Derek Hampson has been a Vice President of the Registrant since October, 1987. He has served as Manager of the Eastern Chemical Corp. subsidiary since 1971.

Joseph J. Vernice has been a Vice President of the Registrant since February, 1995. He served as Assistant Vice President of the Registrant from November, 1991 until February, 1995. He has been Manager of Research and Development for the Registrant since 1988 and Director of Technical Services since 1991.

Peter A. Hiltunen has been a Vice President of the Registrant since July, 2002. He served as Assistant Vice President of the Registrant from November,

1991 until July, 2002. He has been Production Manager of the Registrant since 1982.

Lawrence F. Maietta has been a partner in the public accounting firm of Bonamassa, Maietta & Cartelli, LLP in Brooklyn, NY since October, 1991. For more than five years prior to that he was a partner in the public accounting firm of Wilfred, Wyler & Co. in New York, NY. He was controller for the Registrant from October, 1991 until November, 1997, and a director of the Registrant since February, 1994.

Henry P. Globus has been a consultant to the Registrant since July, 1988. He served as Executive Vice President of the Registrant from 1982 until July, 1988. He has been a director of the Registrant since 1947.

Benjamin William Mehlman was formerly a judge and attorney in private practice until he retired from the practice of law in June, 1997. From 1984 to 1997 he had been counsel to the law firm of William T. Friedman and its predecessor, Friedman and Shaftan. He has been a director of the Registrant since 1964.

Arthur M. Dresner has been a partner in the law firm Reed Smith, LLP since January, 2003. From 1998 to 2003 he had been "Of Counsel" to that firm as well as to the law firm of McAulay, Nissen, Goldberg & Kiel LLP, which combined with Reed Smith in 2000. From 1974 until 1997 he was employed as a Vice President in corporate development and general management of International Specialty Products, Inc., our major marketing partner. He has been a director of the Registrant since April, 1997.

Andrew A. Boccone is an independent business consultant. From 1990 to his retirement in 2001 he was President of Kline & Company, a leading international business consulting and research firm that he first joined in 1974, developing growth strategies and providing business solutions for many multinational chemical companies. Prior to joining Kline & Company Mr. Boccone served in various management positions at American Cyanamid. He has been a Director of the Registrant since November, 2002.

Dr. Alfred R. Globus and Henry P. Globus are brothers. Kenneth H. Globus is the son of Henry P. Globus and the nephew of Dr. Alfred R. Globus. There are no other family relationships between any directors or officers of the Registrant.

The directors are elected to serve for one year or until the next Annual Meeting of Stockholders and until their successors have been elected and qualified.

Audit Committee Members and Financial Expert

The Board of Directors has an Audit Committee that meets with the Company's independent auditors to review the plan, scope and results of its audits. Members of the Audit Committee are Messrs. Benjamin Wm. Mehlman, Arthur Dresner, and Andrew A. Boccone.

The Company does not have a "financial expert" (as that term is defined by SEC regulations) on its audit committee due the expense involved in placing another independent director on its Board of Directors and audit committee who would qualify as such. Instead, the Company has asked one of its Board members, Lawrence F. Maietta, a Certified Public Accountant, to act as an expert financial advisor to the audit committee.

Code of Conduct and Ethics

The Company has adopted a Code of Conduct and Ethics that applies to all officers, directors, and employees, serving in any capacity to the Company,

including the Chief Executive Officer, Chief Financial Officer, and principal accounting Officer. A copy of the Company's Code of Conduct and Ethics is available on the Company's web site at http://www.u-g.com. The Company intends to satisfy the disclosure requirement under Item 10 of Form 8-K relating to amendments to or waivers from any provision of our Code of Conduct and Ethics applicable to Chief Executive Officer, Chief Financial Officer and principal accounting officer by posting this information on our web site.

Compliance with Section 16(a) of the Exchange Act

The information required by this section is incorporated herein by reference to the section entitled "Directors and Executive Officers - Section 16(a) Beneficial Ownership Reporting Compliance" of the proxy statement for the 2004 annual meeting of stockholders ("2004 Proxy Statement").

Item 10. Executive Compensation.

The information required by this Item is incorporated herein by reference to the section entitled "Compensation of Directors and Executive Officers - Summary Compensation Table" of the Company's definitive proxy statement which will be filed no later than 120 days after December 31, 2003 ("2004 Proxy Statement").

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference to the sections entitled "Voting Securities and Principal Stockholders - Security Ownership of Management" and "Compensation of Directors and Executive Officers" of the 2004 Proxy Statement.

Item 12. Certain Relationships and Related Transactions.

Information required to be set forth hereunder has been omitted and will be incorporated by reference, when filed, from the Company's 2004 Proxy Statement.

Item 13. Exhibits, List and Reports on Form 8-K

(a) Exhibits

3(a)	Certificate of Incorporation of the Registrant as filed April 22, 1987. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, dated September 21, 1987 (the "1987 8-K").
3(b)	Certificate of Merger of United-Guardian, Inc. (New York) with and into the Registrant as filed with the Secretary of State of the State of Delaware on September 10, 1987. Incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended February 29, 1988 (the "1988 10-K").
3(c)	By-laws of the Registrant. Incorporated by reference to Exhibit 4.2 to the 1987 8-K.
4(a)	Specimen Certificate for shares of common stock of the Registrant. Incorporated by reference to Exhibit 4(a) to the 1988 10-K.
10(a)	Qualified Retirement Income Plan for Employees of the Registrant, as restated April 1, 1976. Incorporated by reference to Exhibit 11(c) of the Registrant's Registration

Statement on Form S-1 (Registration No. 2-63114) declared effective February 9, 1979.

10(b) Employment Termination Agreement dated July 8, 1988 between the Registrant and Henry Globus. Incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report on Form 10-K for the 10-month transition period from March 1, 1991 to December 31, 1991.

10(c) Exclusive Distributor Agreement between the Registrant and ISP Technologies Inc., dated July 5, 2000. Incorporated by reference to Exhibit 10(d) to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000.

10(d) Letter Amendment between the Registrant and ISP Technologies Inc. dated December 16, 2002 amending the Exclusive Distributor Agreement between the Registrant and ISP Technologies Inc. dated July 5, 2000. Incorporated by reference to Exhibit 10(d) of Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.

21 Subsidiaries of the Registrant:

Name	Jurisdiction of Incorporation	Name Under Which it does Business
Eastern Chemical Corporation	New York	(same)
Dieselite Corporation **	Delaware	N/A
Paragon Organic Chemicals, Inc.	New York	(same)
Transcontinental Processes (Pty.) Ltd.*	Australia	N/A

* Inactive without assets
** Inactive

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:

On May 8, 2003, August 5, 2003, and November 6, 2003, the Registrant filed reports on Form 8-K disclosing the issuance press releases reporting the quarterly earnings of the Company for the first, second, and third quarters of 2003 respectively. On December 5, 2003 the Registrant filed a report on Form 8-K disclosing the issuance of a press release that announced the payment of a cash dividend.

Item 14. Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed by Eisner LLP for the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's quarterly reports on Form 10-QSB for FY-2003 were approximately $49,000, including out of pocket expenses. In November, 2002 the Company changed its principal accounting firm to Eisner LLP from Grant Thornton. The aggregate fees billed by Grant Thornton for the reviews of the financial statements included in the Company's quarterly reports on Form 10-QSB for FY-2002 were estimated to be approximately $12,000. (The actual fee paid to Grant Thornton in 2002 was an annual fee; as a result, the Company has used Eisner LLP's fee to estimate the amount of Grant Thornton's fee that would have related to the three quarterly reports). The aggregate fees billed by Eisner LLP for the audit of the Company's annual financial statements for FY-2002 were approximately $35,417.

Audit-Related Fees

There were no other fees billed by Eisner LLP or Grant Thornton during the last two fiscal years that were reasonably related to the performance of the audit or review of the Company's financial statements and not reported under "Audit Fees" above.

Tax Fees

There were no other fees billed by Eisner LLP or Grant Thornton during the last two fiscal years that related to tax preparation or compliance that were not reported under "Audit Fees" above.

All Other Fees

There were no other fees billed by Eisner LLP or Grant Thornton during the last two fiscal years for other products and services provided by Eisner LLP or Grant Thornton.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.

Dated: March 23, 2004

By: /s/ Alfred R. Globus

Alfred R. Globus
Chief Executive Officer & Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By:/s/ Alfred R. Globus --- Alfred R. Globus	Chief Executive Officer, Director (Principal Executive Officer)	March 23, 2004
By:/s/ Kenneth H. Globus --- Kenneth H. Globus	President, General Counsel, Director, Chief Financial Officer(Principal Financial	March 23, 2004

and Accounting Officer)

By:/s/ Robert S. Rubinger Robert S. Rubinger	Executive Vice President, Secretary, Treasurer, Director	March 23, 2004
By:/s/ Charles W. Castanza Charles W. Castanza	Senior Vice President, Director	March 23, 2004
By:/s/ Henry P. Globus Henry P. Globus	Director	March 23, 2004
By:/s/ Benjamin Wm. Mehlman Benjamin Wm. Mehlman	Director	March 23, 2004
By:/s/ Lawrence F. Maietta Lawrence F. Maietta	Director	March 23, 2004
By:/s/ Arthur M. Dresner Arthur M. Dresner	Director	March 23, 2004
By: /s/ Andrew A. Boccone Andrew A. Boccone	Director	March 23, 2004

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
United-Guardian, Inc.
Hauppauge, New York

We have audited the accompanying consolidated balance sheets of United-Guardian, Inc. and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United-Guardian, Inc. and subsidiaries as of December 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ EISNER LLP

New York, New York
February 27, 2004

UNITED-GUARDIAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2003	2002
CURRENT ASSETS		
Cash and cash equivalents	$2,710,029	$3,184,599
Temporary investments	1,615,751	4,151,787
Marketable securities	6,098,986	882,243
Accounts receivable, net of allowance for doubtful accounts of $27,000 and $25,500, respectively	1,007,055	704,560
Inventories	1,093,312	1,037,315
Prepaid expenses and other current assets	264,978	342,476
Deferred income taxes	207,817	297,774
Total current assets	12,997,928	10,600,754
PROPERTY, PLANT AND EQUIPMENT		
Land	69,000	69,000
Factory equipment and fixtures	2,825,125	2,738,110
Building and improvements	2,068,752	2,045,588
Waste disposal system	133,532	133,532
	5,096,409	4,986,230
Less accumulated depreciation	4,070,158	3,880,660
	1,026,251	1,105,570
OTHER ASSETS		
Processes and patents, net of accumulated amortization of $981,732 and $981,341, respectively	65	456
Other	700	700
	765	1,156

	$14,024,944	$11,707,480

See notes to financial statements

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2003	2002
CURRENT LIABILITIES		
Dividends payable	$ 737,736	$ 488,114
Accounts payable	309,921	188,868
Accrued expenses	350,769	345,407
Total current liabilities	1,398,426	1,022,389
DEFERRED INCOME TAXES	10,000	10,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.10 par value; 10,000,000 shares authorized; 4,984,439 and 4,943,339 shares issued, respectively; and 4,922,239 4,881,139 outstanding, respectively	498,444	494,334
Capital in excess of par value	3,717,160	3,538,423
Accumulated other comprehensive loss	(30,614)	(55,776)
Retained earnings	8,791,158	7,057,740
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
	12,616,518	10,675,091
	$14,024,944	$11,707,480

See notes to financial statements

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,	
	2003	2002
Revenue		
Net sales	$11,157,423	$ 9,091,416
Costs and expenses		
Cost of sales	5,060,616	4,896,637
Operating expenses	2,455,240	2,303,030
	7,515,856	7,199,667
Income from operations	3,641,567	1,891,749
Other income (expense)		
Investment income	168,867	192,132
Gain on sale of assets	500	79
Other expense	(23)	(114)
Income before income taxes	3,810,911	2,083,846
Provision for income taxes	1,339,757	662,341
Net Income	$ 2,471,154	$ 1,421,505
Earnings per common share (basic and diluted)	$ .50	$ .29
Weighted average shares-basic	4,898,456	4,878,401
Weighted average shares-diluted	4,914,412	4,888,958

See notes to financial statements

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME

Years ended December 31, 2002 and 2003

	Common stock		Capital in excess of	Accumulated other comprehensive	Retained	T
	Shares	Amount	par value	income (loss)	earnings	
Balance, December 31, 2001	4,932,639	$ 493,264	$ 3,492,518	$ (24,024)	$ 6,124,349	$(
Issuance of common stock in connection with exercise of stock options	10,700	1,070	34,905			
Tax Benefit from exercise of stock options			11,000			
Unrealized loss on marketable securities, net of deferred income tax benefit of $22,562				(31,752)		
Net income					1,421,505	
Dividends declared					(488,114)	
Comprehensive income						
Balance, December 31, 2002	4,943,339	494,334	3,538,423	(55,776)	7,057,740	(
Issuance of common stock in connection with exercise of stock options	41,100	4,110	141,737			
Tax Benefit from exercise of stock options			37,000			
Unrealized loss on marketable securities, net of deferred income tax of $14,880				25,162		
Net income					2,471,154	
Dividends declared					(737,736)	
Comprehensive income						
Balance, December 31, 2003	4,984,439	$ 498,444	$ 3,717,160	$ (30,614)	$ 8,791,158	$(

See notes to financial statements

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2003	2002
Cash flows from operating activities		
Net income	$2,471,154	$1,421,505
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	197,889	244,766
Amortization of bond premium	5,916	12,224
Net gain on sale of equipment	(500)	(79)
Provision for (recovery of) bad debts	14,479	(27,187)
Tax Benefit from exercise of stock options	37,000	11,000
Deferred income taxes	75,077	4,612
Provision for inventory obsolescence	147,000	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Accounts receivable	(316,974)	167,015
Inventories	(202,997)	148,220
Prepaid expenses and other assets	77,498	(14,252)
Accounts payable	121,053	(24,860)
Accrued expenses and taxes payable	5,362	1,103
Net cash provided by operating activities	2,631,957	1,944,067
Cash flows from investing activities		
Acquisition of plant and equipment	(118,179)	(131,650)
Proceeds from the sale of plant and equipment	500	14,500
Net decrease in temporary investments	2,536,036	213,327
Purchase of marketable securities	(5,862,617)	(4,433)
Proceeds from sale of marketable securities	680,000	-
Net cash (used in) provided by investing activities	(2,764,260)	91,744
Cash flows from financing activities		
Proceeds from exercise of stock options	145,847	35,975
Dividends paid	(488,114)	(487,044)
Net cash used in financing activities	(342,267)	(451,069)
Net (decrease) increase in cash and cash equivalents	(474,570)	1,584,742
Cash and cash equivalents, beginning of year	3,184,599	1,599,857
Cash and cash equivalents, end of year	$2,710,029	$3,184,599

See notes to financial statements

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

United-Guardian, Inc. (the "Company") is a Delaware corporation that operates in two business segments: (1) the Guardian Laboratories Division conducts research, product development, manufacturing and marketing of pharmaceuticals, cosmetics, health care products, medical devices and proprietary industrial products, and (2) the Eastern Chemical Corporation subsidiary distributes a line of fine organic chemicals, research chemicals, test solutions, indicators, dyes and reagents. Two major product lines, Lubrajel and Renacidin, included in the Guardian Laboratories Division, accounted for approximately 83% and 78% of consolidated sales, respectively, for each of the years ended December 31, 2003 and 2002, with Lubrajel accounting for 67% and 61%, and Renacidin accounting for 16% and 17% of consolidated sales for the years ended December 31, 2003 and 2002, respectively.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of United-Guardian, Inc. and its wholly-owned subsidiaries, Eastern Chemical Corporation and Paragon Organic Chemicals, Inc. (a purchasing agent for Eastern). All inter-company accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenue as products are shipped and collections are reasonably assured and title passes to customers.

Cash and Cash Equivalents

For financial statement purposes the Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

Dividends

On December 3, 2003 the Company declared a cash dividend of $.15 per share payable on January 5, 2004 to stockholders of record as of December 15, 2003 aggregating $737,736. On December 4, 2002, the Company declared a dividend of $.10 per share payable on January 8, 2003 to stockholders of record as of December 20, 2002 aggregating $488,114.

UNITED-GUARDIAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE A (continued)

Statements of Cash Flows

Cash payments for income taxes were $1,135,025 and $611,630 for the years ended December 31, 2003 and 2002, respectively. There were no cash payments for interest during the years ended December 31, 2003 and 2002. Divided payable of $737,736 was paid in January, 2004.

Marketable Securities and Temporary Investments

Marketable securities include investments in equity mutual funds, government securities and corporate bonds which are classified as "Available for Sale" securities and are reported at their fair values. Unrealized gains and losses on "Available for Sale" securities are reported as accumulated other comprehensive income (loss) in stockholders' equity, net of the related tax effects. Investment income is recognized when earned. Realized Gains and Losses on sales of investments are determined on a specific identification basis. Fair values are based on quoted market prices.

Temporary investments consist of certificates of deposit that mature in one year or less.

Inventories

Inventories are valued at the lower of cost or current market value. Cost is determined using the average cost method (which approximates FIFO). Inventory costs include material, labor and factory overhead.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Major replacements and betterments are capitalized while routine maintenance and repairs are expensed as incurred. Assets are depreciated under both accelerated and straight-line methods. Depreciation charged to income as a result of using accelerated methods was not materially different than that which would result from using the straight-line method for all periods presented. Certain factory equipment and fixtures are constructed by the Company using purchased materials and in-house labor. Such assets are capitalized and depreciated on a basis consistent with the Company's purchased fixed assets.

NOTE A (continued)

Estimated useful lives are as follows:

Factory equipment and fixtures	5 - 7 years
Building	40 years
Building improvements	Lesser of useful life or 20 years
Waste disposal system	7 years

Processes and Patents

Processes and patents are amortized over periods ranging from 5 to 15 years. Amounts are shown net of accumulated amortization.

Long-Lived Assets

It is the Company's policy to evaluate and recognize an impairment to its long-lived assets if it is probable that the recorded amounts are in excess of anticipated undiscounted future cash flows.

Fair Value of Financial Instruments

The Company has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures About Fair Value of Financial Instruments." Management of the Company believes that the fair value of financial instruments, consisting of cash, temporary investments, accounts receivable, accounts payable, dividends payable and accrued expenses approximates their carrying value due to their short payment terms.

Concentration of Credit Risk

Accounts receivable potentially expose the Company to concentrations of credit risk. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited. For each of the years ended December 31, 2003 and 2002, one customer accounted for revenues aggregating 40% and 32% respectively. At December 31, 2003, two and one customers, respectively, had accounts receivable balances aggregating 46% and 35%, respectively.

UNITED-GUARDIAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE A (continued)

Income Taxes

Deferred tax assets and liabilities reflect the future tax consequences of the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Research and Development

The Company's research and development expenses, included in operating expenses, are recorded in the year incurred. Research and development expenses were approximately $403,000 and $348,000 for the years ended December 31, 2003 and 2002, respectively.

Shipping and Handling Costs

Shipping and handling costs are classified in operating expenses in the accompanying consolidated statements of income. Shipping and handling costs were approximately $115,000 and $107,800 for the years ended December 31, 2003 and 2002, respectively.

Advertising Costs

Advertising costs are expensed as incurred. During 2003 and 2002 the Company incurred $100,261 and $74,579 of advertising costs, respectively.

Stock-Based Compensation

At December 31, 2003, the Company had two stock-based employee compensation plans, which are described more fully in Note F. As permitted under SFAS NO. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, which amended SFAS NO. 123 Accounting for Stock-Based Compensation, the Company 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, and interpretations 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.

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UNITED-GUARDIAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

	Year Ended December 31	
	2003	2002
Reported net income	$ 2,471,154	$ 1,421,505
Stock-based employee compensation expense included in reported net income, net of related tax effect	0	0
Stock-based employee compensation determined under the fair value based method, net of related tax effect	(18,743)	(11,676)
Pro forma net income	$ 2,452,411	$ 1,409,829
Earnings per share (basic and diluted)		
As reported	$ .50	$ .29
Pro forma	$ .50	$ .29

In 2002, 22,800 stock options were granted under the EISOP (Employee Incentive Stock Option Plan) and 16,000 stock options were granted under the NSSOPD (Non-Statutory Stock Option Plan). No stock options were granted under either plan in 2003.

The fair value of each option on the date of grant is estimated using the Black-Scholes option-pricing model with a volatility of 45% for 2002, expected life of options of three to five years, risk free interest rates of 2.31% and 3.13% and a dividend yield of 2%. The weighted average fair value of options granted during the year ended December 31, 2002 was $1.15. There were no grants under either plan in 2003.

Earnings Per Share Information

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share includes the dilutive effect of outstanding stock options.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required

UNITED-GUARDIAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE A (continued)

to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Such estimated items include allowance for bad debt, reserve for inventory obsolescence, and allocation of overhead.

Segment Reporting

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires that the Company disclose certain information about its business segments defined as "components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance."

New Accounting Pronouncements

In June 2002, the FASB issued FAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("FAS 146"). This statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan. Adoption of this Statement was required with the beginning of fiscal year 2003. The Company adopted this statement on January 1, 2003. The adoption of FAS 146 did not have any impact on the Company's financial position or results of operations.

Effective January 1, 2003, the Company adopted the recognition and measurement provisions of FASB Interpretation No. 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("Interpretation 45"). This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Interpretation 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company does not currently provide significant guarantees on a routine basis. As a result, this interpretation has not had a material impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities--an Interpretation of ARB No. 51 ("FIN 46"), which addresses consolidation of variable interest entities. FIN 46 expands the criteria for consideration in determining whether a variable interest entity should be consolidated by a business entity, and requires existing unconsolidated variable interest entities (which include, but are not limited to, Special Purpose Entities, or SPEs) to be consolidated by their

primary beneficiaries if the entities to not effectively disperse risks among parties involved. On October 9, 2003, the FASB issued Staff Position No. 46-6 which deferred the effective date for applying the provisions of FIN 46 for interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003. On December 24, 2003, the FASB issued a revision to FIN 46. Under the revised interpretation, the effective date was delayed to periods ending after March 15, 2004 for all variable interest entities, other an SPEs. The adoption of FIN 46 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

In May 2003, The FASB issued FAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("FAS 149"). FAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under FAS No. 133. FAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of FAS 149 did not have any impact on the Company's financial position or results of operations.

In May 2003, the FASB issued FAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("FAS 150"). FAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The Company adopted the provisions of FAS 150 effective July 1, 2003. The adoption of FAS 150 did not have any impact on the Company's financial position or results of operations.

NOTE B - MARKETABLE SECURITIES

Marketable securities at December 31, 2003 and 2002 were as follows:

	Cost	Fair Value	Unrealized Gain/(Loss)
December 31, 2003			
Available for sale:			
U.S. Treasury and agencies	$3,817,880	$3,810,829	$(7,051)
Corporate debt securities	2,040,522	2,037,035	(3,487)
Mutual funds	289,498	251,122	(38,376)
	$6,147,900	$6,098,986	$(48,914)

December 31, 2002			
Held to maturity:			
Corporate debt securities	$ 685,916	$ 685,916	$ 0
Available for sale:			
Mutual funds	285,283	196,327	(88,956)
	$ 971,199	$ 882,243	$(88,956)

NOTE C - INVENTORIES

Inventories consist of the following:

	December 31,	
	2003	2002
Raw materials and work-in-process	$ 225,443	$ 269,067
Finished products and fine chemicals ...	867,869	768,248
	$1,093,312	$1,037,315

NOTE D - NOTES PAYABLE - BANKS

The Company has a line of credit agreement with a bank which provides for borrowings of up to $700,000 and expires on May 31, 2004. It is the Company's intention to renew the line of credit agreement before it expires. Interest under the line is at the bank's prime rate plus 1/2%. The line of credit agreement contains financial covenants relating to minimum net worth, working capital, current ratio, a debt to capitalization ratio and maintenance of compensating balances. There were no outstanding borrowings at December 31, 2003 and 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE E - INCOME TAXES

The provision for income taxes consists of the following:

	Year ended December 31,	
	2003	2002
Current		
Federal	$1,085,789	$ 562,310
State	178,891	95,419
	1,264,680	657,729
Deferred		
Federal	65,013	3,997
State	10,064	615
	75,077	4,612
Total provision for income taxes	$1,339,757	$ 662,341

The following is a reconciliation of the Company's effective income tax rate to the Federal statutory rate:

	Year ended December 31,			
	2003		2002	
	(000's)	%	(000's)	%
Income taxes at statutory Federal income tax rate	$1,296	34%	$ 709	34%
State income taxes, net of Federal benefit	125	3	63	3
Foreign Sales Exclusion	(68)	(2)	(68)	(3)
Nondeductible expenses	10	-	2	-
Other, net	(23)	-	(44)	(2)
Actual income tax expense	$1,340	35%	$ 662	32%

December 31, 2003 and 2002

NOTE E (continued)

During 2003 and 2002, the Company recognized the tax benefit of the Foreign Sales exclusion.

The tax effects of temporary differences which comprise the deferred tax assets and liabilities are as follows:

	December 31	
	2003	2002
Deferred tax assets		
Current		
Accounts receivable	$ 10,071	$ 19,652
Unrealized loss on marketable securities	18,300	33,180
Inventories	81,687	136,518
Accrued Expenses	62,643	82,620
Other	35,116	25,804
	207,817	297,774
Deferred tax liabilities		
Non-current		
Other	(10,000)	(10,000)
	(10,000)	(10,000)
Net deferred tax asset	$ 197,817	$ 287,774

NOTE F - BENEFIT PLANS

Pension Plan

The Company has a noncontributory defined benefit pension plan which covers substantially all of its employees. Benefits are based on years of service and employees' compensation prior to retirement. Amounts are funded in accordance with the requirements of ERISA (Employee Retirement Income Security Act of 1974) and the plan is administered by a trustee who is responsible for payments to retirees. The plan assets primarily consist of cash equivalents, bonds, commercial paper and mortgage-backed securities, and are recorded at fair value within the plan.

December 31, 2003 and 2002

NOTE F (continued

The following table sets forth the plan's funded status:

	Year ended December 31, 2003	Year ended December 31, 2002
Change in Benefit Obligation:		
Projected benefit obligation at beginning of year	$2,125,941	$1,909,099
Service cost	83,291	76,115
Interest cost	134,820	122,743
Actuarial loss	63,899	42,067
Other	0	1,042
Benefits paid	(47,552)	(25,125)
Projected benefit obligation at end of year	$2,360,399	$2,125,941
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$1,754,025	$1,559,145
Actual return on plan assets	147,042	115,805
Employer contributions	103,741	104,200
Benefits paid	(47,552)	(25,125)
Fair value of plan assets at end of year	$1,957,256	$1,754,025
Reconciliation of Funded Status:		
Funded status (underfunded)	$ (403,143)	$ (371,916)
Unrecognized net actuarial loss	410,008	369,604
Unrecognized prior service cost	54,381	61,842
Prepaid benefit cost	$ 61,246	$ 59,530

The net periodic benefit cost includes the following components:

Components of net periodic benefit cost:	Year ended December 31, 2003	Year ended December 31, 2002
Service cost	$ 83,291	$ 76,115
Interest cost	134,820	122,743
Expected return on plan assets	(139,295)	(124,245)
Recognized net actuarial loss	15,748	13,637
Amortization of transition obligation	0	4,298
Amortization of prior service cost	7,461	7,356
Net periodic benefit cost	$ 102,025	$ 99,904

NOTE F (continued)

Weighted-average assumptions as of December 31:

	2003	2002
Discount rate	6.00%	6.50%
Expected long term rate of return	7.00%	8.00%
Weighted average rate of compensation increase	5.69%	5.51%
Amortization method	Straight-Line	Straight-Line

401(k) Plan

The Company maintains a 401(k) Plan for all of its eligible employees. Under the plan, employees may defer up to 15% of their weekly pay as a pretax investment in a savings plan. In addition, the Company makes a contribution of 50% of the first 4% of each employee's elective deferral up to a maximum employer contribution of 2% of weekly pay. Employees become fully vested in Company contributions after one year of employment. 401(k) Company contributions were approximately $39,000 and $38,000 for the years ended December 31, 2003 and 2002, respectively.

Stock Option Plans

The Company maintained two stock option plans, the 1993 Employee Incentive Stock Option Plan ("EISOP") and the Non-Statutory Stock Option Plan for Directors ("NSSOPD"), each of which provided for the issuance of up to 100,000 shares of common stock at the market price on the date of the grant. Such options were exercisable either upon grant or after a waiting period specified in the agreement. The Company has adopted only the disclosure provisions of SFAS No. 123, "Accounting for Stock-based Compensation." It applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its plans. Accordingly, no compensation costs have been recognized for either plan. Both of these stock option plans expired in 2003.

NOTE F (continued)

The following summarizes the stock option transactions under both plans:

EISOP	Number outstanding	Weighted average exercise price

Options outstanding January 1, 2002....	31,400	3.59
Granted	22,800	3.54
Exercised	(8,700)	3.66
Options outstanding at December 31, 2002	45,500	3.55
Options exercisable at December 31, 2002	34,700	3.54
Expired	(200)	3.51
Exercised	(35,100)	3.58
Options outstanding and exercisable at December 31, 2003.....	10,200	3.44
Available for grant at December 31, 2003	0	

NSSOPD

Options outstanding at January 1, 2002..	8,000	$2.55
Forfeited	(2,000)	3.00
Exercised	(2,000)	2.06
Granted	16,000	3.51
Options outstanding at December 31, 2002	20,000	3.41
Options exercisable at December 31, 2002	4,000	3.00
Exercised	(6,000)	3.34
Options outstanding and exercisable at December 31, 2003	14,000	3.44
Available for grant at December 31, 2003	0	

Summarized information about stock options outstanding under the two plans at December 31, 2003 is as follows:

NOTE F (continued)

	Options Outstanding			Options Exercisable	
Range of Exercise	Number of Shares Outstanding at	Weighted Average Remaining	Weighted Average Exercise	Number of Shares Exercisable at	Weighted Average Exercise

Prices	December 31,2003	Contractual Life	Price	December 31,2003	Price
EISOP					
$2.06 - $3.30	3,300	2.02	$3.07	3,300	$3.07
$3.51 - $3.86	6,900	7.45	3.61	6,900	3.61
$2.06 - $3.86	10,200	5.69	$3.44	10,200	$3.44
NSSOPD					
$3.00	2,000	.30	$3.00	2,000	$3.00
$3.51	12,000	3.90	3.51	12,000	3.51
$3.00 - $3.51	14,000	3.39	$3.44	14,000	$3.44

NOTE G - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share at December 31, 2003 and 2002:

	2003	2002
Numerator:		
Net earnings	$ 2,471,154	$ 1,421,505
Denominator:		
Denominator for basic earnings per share (weighted average shares)	4,898,456	4,878,401
Effect of dilutive securities:		
Employee stock options	15,956	10,557
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	4,914,412	4,888,958
Basic and diluted earnings per share	$ 0.50	$ 0.29

NOTE G (continued)

Options to purchase 8,500 shares of the Company's common stock have been excluded from the computation of diluted earnings per share in 2002 as their inclusion would be antidilutive. In 2003 there were no options excluded from the computation of diluted earnings per share.

NOTE H - NATURE OF BUSINESS AND SEGMENT INFORMATION

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. 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 years ended December 31, 2003 and 2002.

	2003				
	GUARDIAN	EASTERN	TOTAL	GUARDIAN	
Revenues from external customers	$10,068,977	$ 1,088,446	$11,157,423	$ 7,938,428	$
Depreciation and amortization	84,510	-	84,510	130,037	
Segment income before income tax expense	3,798,573	8,421	3,806,994	2,153,927	
Segment assets	2,189,252	381,553	2,570,805	2,405,390	
Capital expenditure	72,039	-	72,039	53,189	

Reconciliation to Consolidated Amounts

Income before income taxes

Total income for reportable segments	$ 3,806,994
Other income, net	169,344
Corporate headquarters expense	(165,427)
Consolidated income before income taxes	$ 3,810,911

Assets

Total assets for reportable segments	$ 2,570,805
Corporate headquarters	11,454,139
Total consolidated assets	$14,024,944

NOTE H (continued)

Other Significant Items

	2003			20	
	Segment Totals	Corporate	Consolidated Totals	Segment Totals	Corpo

Capital expenditures	72,039	46,140	118,179	53,189	78,
Depreciation and amortization	84,510	119,295	203,805	130,037	126,

Geographic Information

	2003		2002	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	$ 5,676,595	$ 1,026,316	$ 4,633,847	$ 1,106,026
France	1,335,734		1,179,919	
Other countries	4,145,094		3,277,650	
	$11,157,423	$ 1,026,316	$ 9,091,416	$ 1,106,026

Major Customers

Customer A (Guardian)	$ 4,422,424	$ 2,916,638	
Customer B (Guardian)	1,096,923	-	
All other customers	5,638,076	6,174,778	
	$11,157,423	$ 9,091,416	

NOTE I - CONTINGENCIES

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

NOTE J - RELEATED PARTY TRANSACTIONS

During the years ended December 31, 2003 and 2002 the Company paid to Henry Globus, a former officer and current Director of the Company, $18,210 and $17,748 respectively, for consulting services in accordance with his employment termination agreement of 1998.

During the years ended December 31, 2003 and 2002 the Company paid to Bonamassa , Maietta, and Cartelli, LLP, $9,000 and $10,500 respectively for accounting services. Lawrence Maietta, a partner in Bonamassa , Maietta, and Cartelli, LLP, is currently a Director of the Company.

EXHIBIT 31.1

SECTION 302 CERTIFICATION

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

1. I have reviewed this annual report on Form 10-KSB of United-Guardian, Inc.

2. Based on my knowledge, this annual 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 23, 2004

/s/ Alfred R. Globus

Alfred R. Globus
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

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

1. I have reviewed this annual report on Form 10-KSB of United-Guardian, Inc.

2. Based on my knowledge, this annual 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 23, 2004

/s/ Kenneth H. Globus

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 Annual Report of United-Guardian, Inc. (the "Registrant") on Form 10-KSB for the year ended December 31, 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.

Date: March 23, 2004

/s/ Alfred R. Globus

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 Annual Report of United-Guardian, Inc. (the "Registrant") on Form 10-KSB for the year ended December 31, 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.

Date: March 23, 2004

/s/ Kenneth H. Globus

Kenneth H. Globus
President and Chief Financial Officer