

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2002

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

For the transition period from _____ to _____

Commission File Number 0-7855

UNITED-GUARDIAN, INC.

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

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

11-1719724
(I.R.S. Employer Identification No.)

230 Marcus Boulevard, Hauppauge, New York 11788
(Address of Principal Executive Offices)

(631) 273-0900
(Issuer's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

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

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

Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS

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

4,943,339

UNITED-GUARDIAN, INC.

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

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
Revenue:				
Net sales	\$ 4,710,616	\$ 5,423,800	\$ 2,328,168	\$ 2,593,955
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	2,551,786	2,621,552	1,279,051	1,323,838
Selling, general and administrative	1,135,749	1,211,838	654,245	629,839
	-----	-----	-----	-----
	3,687,535	3,833,390	1,933,296	1,953,677
	-----	-----	-----	-----
Earnings from operations	1,023,081	1,590,410	394,872	640,278
Other income (expense):				
Interest expense	-	(37)	-	(12)
Investment income	99,088	131,745	49,464	65,736
Gain on sale of assets	79	-	-	-
Other	(49)	-	(49)	-
	-----	-----	-----	-----
Earnings before income taxes	1,122,199	1,722,118	444,287	706,002
 Provision for income taxes				
	393,000	642,740	153,000	262,740
	-----	-----	-----	-----
 Net earnings	\$ 729,199	\$ 1,079,378	\$ 291,287	\$ 443,262
	=====	=====	=====	=====
 Earnings per common share (basic and diluted)	\$ 0.15	\$ 0.22	\$ 0.06	\$ 0.09
	=====	=====	=====	=====
 Basic weighted average shares	4,875,617	4,866,162	4,880,386	4,869,151
	=====	=====	=====	=====
 Diluted weighted average shares	4,890,378	4,889,214	4,893,622	4,889,910
	=====	=====	=====	=====

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2002	DECEMBER 31, 2001
AUDITED STATEMENTS)	(UNAUDITED)	(DERIVED FROM FINANCIAL
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,852,104	\$ 1,599,857
Temporary investments	4,596,768	4,365,114
Marketable securities	907,396	944,348
Accounts receivable, net of allowance for doubtful accounts of \$63,100 at June 30, 2002 and December 31, 2001, respectively	833,460	844,388
Inventories	1,134,335	1,185,535
Prepaid expenses and other current assets	250,381	327,924
Deferred income taxes	294,381	279,824
Total current assets	9,868,825	9,546,990
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	2,698,248	2,698,088
Building and improvements	2,026,302	2,019,136
Waste disposal plant	133,532	133,532
	-----	-----
	4,927,082	4,919,756
Less: Accumulated depreciation	3,775,194	3,721,343
	-----	-----
	1,151,888	1,198,413
	-----	-----
Other assets:		
Processes and patents, net of accumulated amortization of \$972,570 and \$946,647 at June 30, 2002 and December 31, 2001, respectively	9,227	35,150
Other	700	1,000
	-----	-----
	9,927	36,150
	-----	-----
\$ 11,030,640	\$ 10,781,553	=====

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2002	DECEMBER 31, 2001
LIABILITIES AND AUDITED STOCKHOLDERS' EQUITY STATEMENTS)	(UNAUDITED)	(DERIVED FROM FINANCIAL
Current liabilities:		
Dividends payable	\$ -	\$ 487,044
Accounts payable	173,688	213,728
Accrued expenses	373,596	344,304
	-----	-----
Total current liabilities	547,284	1,045,076
	-----	-----
Deferred income taxes	10,000	10,000
	-----	-----
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; issued, 4,943,339 and 4,932,639 shares, respectively; outstanding 4,881,139 and 4,870,439 shares, respectively	494,334	493,264
Capital in excess of par value	3,527,423	3,492,518
Accumulated other comprehensive loss	(42,319)	(24,024)
Retained earnings	6,853,548	6,124,349
Treasury stock, at cost; 62,200 shares	(359,630)	(359,630)
	-----	-----
Total stockholders' equity	10,473,356	9,726,477
	-----	-----
	\$ 11,030,640	\$ 10,781,553
	=====	=====

See notes to financial statements.

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

	SIX MONTHS ENDED June 30,	
	2002	2001
Cash flows provided by operating activities:	-----	-----
Net earnings	\$ 729,199	\$ 1,079,378
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	130,529	133,963
Provision for doubtful accounts	-	(600)
Amortization of bond premium	6,102	-
Net gain on sale of equipment	(79)	-
(Increase) decrease in assets:		
Accounts receivable	10,928	(496,434)
Inventories	51,200	265,761
Prepaid expense and other current assets	77,843	(158,727)
Increase (decrease) in liabilities:		
Accounts payable	(40,040)	18,639
Accrued expenses and taxes payable	29,292	129,466
Net cash provided by operating activities	994,974	971,446
Cash flows from investing activities:	-----	-----
Acquisition of property, plant and equipment	(72,502)	(77,418)
Proceeds from sale of equipment	14,500	-
Net change in temporary investments	(231,654)	(1,146,268)
Purchase of marketable securities	(2,002)	(642,344)
Net cash used in investing activities	(291,658)	(1,876,030)
Cash flows from financing activities:	-----	-----
Principal payments on long-term debt	-	(5,170)
Proceeds from exercise of stock options	35,975	89,032
Dividends paid	(487,044)	(486,114)
Net cash used in financing activities	(451,069)	(402,252)
Net increase (decrease) in cash and cash equivalents	252,247	(1,306,836)
Cash and cash equivalents at beginning of period	1,599,857	2,226,812
Cash and cash equivalents at end of period	\$ 1,852,104	\$ 919,976

See notes to financial statements.

UNITED-GUARDIAN, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2002 and December 31, 2001 and the results of operations and cash flows for the three and six months ended June 30, 2002 and 2001. The accounting policies followed by the Company are set forth in the Company's financial statements included in its December 31, 2001 Annual Report to Shareholders.

2. The results of operations for the three and six months ended June 30, 2002 and 2001 are not necessarily indicative of the results to be expected for the full year.

3. Inventories

Inventories consist of the following:	June 30, 2002	December 31, 2001
Raw materials and work in process	\$ 271,196	\$ 245,849
Finished products and fine chemicals	863,139	939,686
	-----	-----
	\$1,134,335	\$1,185,535
	=====	=====

4. For purposes of the Statement of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash payments for taxes were \$290,928 and \$879,216 for the six months ended June 30, 2002 and 2001, respectively.

5. Comprehensive Income (Loss)

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

	Six months ended June 30, 2002	Three months ended June 30, 2002	Six months ended June 30, 2001	Three months ended June 30, 2001
Net income	\$729,199	\$1,079,378	\$291,287	\$443,262
Other comprehensive income (loss)	-----	-----	-----	-----
Unrealized gain (loss) on marketable securities	(32,852)	(15,977)	(31,732)	13,781
Net unrealized gain (loss)	(32,852)	(15,977)	(31,732)	13,781
Income tax provision (benefit) on comprehensive income (loss)	(14,557)	(5,953)	(13,195)	5,147
Other comprehensive income (loss)	(18,295)	(10,024)	(18,537)	8,634
Comprehensive income	\$710,904	\$1,069,354	\$272,750	\$451,896
	=====	=====	=====	=====

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

6. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share at June 30, 2002 and 2001.

	Six months ended		Three months ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Numerator:	-----	-----	-----	-----
Net income	\$ 729,199	\$ 1,079,378	\$ 291,287	\$ 443,262
	=====	=====	=====	=====
Denominator:				
Denominator for basic earnings per share (weighted average shares)	4,875,617	4,866,162	4,880,386	4,869,151
Effect of dilutive securities :				
Employee stock options	14,761	23,052	13,236	20,759
	-----	-----	-----	-----
Denominator for diluted earnings per share (adjusted weighted-average shares) and assumed conversions	4,890,378	4,889,214	4,893,622	4,889,910
	=====	=====	=====	=====
Basic and diluted earnings per share	\$ 0.15	\$ 0.22	\$ 0.06	\$ 0.09
	=====	=====	=====	=====

7. The Company has the following two reportable business segments: Guardian Laboratories and Eastern Chemical. The Guardian segment conducts research, development and manufacturing of pharmaceuticals, medical devices, cosmetics, products and proprietary specialty chemical products. The Eastern segment distributes fine chemicals, solutions, dyes and reagents.

The accounting policies used to develop segment information correspond to those described in the summary of significant accounting policies as set forth in the December 31, 2001 Annual Report. 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 six and three month periods ended June 30, 2002 and 2001.

	Six months ended June 30,			2001		
	2002		TOTAL	2001		TOTAL
	GUARDIAN	EASTERN		GUARDIAN	EASTERN	
Revenues from external customers	\$ 4,086,007	\$ 624,609	\$ 4,710,616	\$ 4,690,069	\$ 733,731	\$ 5,423,800
Depreciation and amortization	71,171	-	71,171	77,205	-	77,205
Segment earnings (loss) before income taxes	1,130,770	(27,163)	1,103,607	1,662,230	11,749	1,673,979
Segment assets	2,309,156	459,881	2,769,037	2,591,687	411,745	3,003,432
Expenditures for segment assets	14,524	-	14,524	15,036	-	15,036
Reconciliation to Consolidated Amounts						
Earnings before income taxes						
Total earnings for reportable segments			\$ 1,103,607			\$ 1,673,979
Other earnings			99,118			131,708
Corporate headquarters expense			(80,526)			(83,569)
Consolidated earnings before income taxes			\$ 1,122,199			\$ 1,722,118
Assets			=====			=====
Total assets for reportable segments			\$ 2,769,037			\$ 3,003,432
Corporate headquarters			8,261,603			7,054,540
Total consolidated assets			\$11,030,640			\$10,057,972
			=====			=====

	Three months ended June 30,			2001		
	2002		TOTAL	2001		TOTAL
	GUARDIAN	EASTERN		GUARDIAN	EASTERN	
Revenues from external customers	\$ 1,988,156	\$ 340,012	\$ 2,328,168	\$ 2,251,632	\$ 342,323	\$ 2,593,955
Segment earnings (loss) before income taxes	456,862	(21,648)	435,214	687,213	(1,379)	685,834

Earnings before income taxes					
Total earnings for reportable segments	\$ 435,214				\$ 685,834
Other earnings	49,415				65,724
Corporate headquarters expense	(40,342)				(45,556)
Consolidated earnings before income taxes	\$ 444,287				\$ 706,002
Other significant items					
			Six Months ended June 30,		
		2002		2001	
	Segment Totals	Corporate	Consolidated Totals	Segment Totals	Corporate
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 37
Expenditures for assets	14,524	57,978	72,502	15,036	62,382
Depreciation and amortization	71,171	59,358	130,529	77,205	56,758
Geographic Information					
			2002		2001
		Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	\$ 2,229,946	\$ 1,161,115		\$ 2,682,713	\$ 1,297,985
France	732,871			845,508	
Other countries	1,747,799			1,895,579	
	\$ 4,710,616	\$ 1,161,115		\$ 5,423,800	\$ 1,297,985
Major Customers					
Customer A (Guardian)	\$ 1,439,142			\$ 1,893,243	
Customer B (Guardian)	573,127			711,978	
All other customers	2,698,347			2,818,579	
	\$ 4,710,616			\$ 5,423,800	

8. Contingencies

While the Company has claims 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Gross revenue from operations

For the six month period ended June 30, 2002 net sales decreased \$713,184 (13.1%) versus the comparable period in 2001. The Guardian Laboratories division ("Guardian") had a sales decrease of \$604,062 (12.9%) while the Eastern Chemical subsidiary ("Eastern") had a sales decrease of \$109,122 (14.9%).

For the three month period ended June 30, 2002 revenue decreased \$265,787 (10.2%) over the comparable period in 2001. Guardian sales decreased \$263,476 (11.7%), while Eastern sales decreased \$2,311 (0.7%)

The decrease in Guardian's sales for the three and six month periods is due to a decline in demand for Guardian's products that Registrant believes is primarily due to the economic conditions in the United States and overseas. The decline in Eastern's sales is believed to be due mainly to normal fluctuations in the purchasing patterns of its customers, but may also be partially attributable to some loss of business due to an inability to provide some products as a result of the ongoing program to reduce Eastern's on-hand inventory.

Cost of sales

Cost of sales as a percentage of sales increased to 54.2% for the six months ended June 30, 2002 from 48.3% for the comparable period ended June 30, 2001. For the three month period ended June 30, 2002 compared to the three month period ended June 30, 2001 the cost of sales as a percentage of sales increased to 54.9% from 51.0%. This increase is mainly due to the absorption of fixed costs by a lower sales volume in the three and six month periods in 2002 as compared to the same periods in the prior year.

Operating Expenses

Operating expenses decreased \$76,089 (6.3%) for the six months ended June 30, 2002 compared to the comparable period in 2001. For the three month period ended June 30, 2002 operating expenses increased \$24,406 (3.9%) over the comparable period in 2001. The decrease was primarily due to decreases in consulting fees, payroll and payroll related costs for the six month period ended June 30, 2002 as compared to the prior year. The increase for the three month period ended June 30, 2002 is primarily due to an increase in legal expenses as compared to the prior year.

Investment income

Investment income decreased \$32,657 (24.8%) for the six months ended June 30, 2002 as compared to the comparable period in 2001, and \$16,272 (24.8%) for the three months ended June 30, 2002 when compared to the comparable period in 2001. These decreases were attributable to a decline in interest rates.

Provision for income taxes

The provision for income taxes decreased \$249,740 (38.9%) for the six months ended June 30, 2002 when compared to the comparable period in 2001, and \$109,740 (41.8%) for the three months ended June 30, 2001 when compared to the comparable period in 2001. The decrease is due to decreased earnings before taxes of \$599,919 for the six months ended June 30, 2002 and \$261,715 for the three months ended June 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from \$8,501,914 at December 31, 2001 to \$9,321,541 at June 30, 2002. The current ratio increased from 9.1 to 1 at December 31, 2001 to 18.0 to 1 at June 30, 2002. The Company has no commitments for any further significant capital expenditures during the remainder of 2002, and believes that its working capital is and will continue to be sufficient to support its operating requirements.

Cash flows provided by operating activities increased \$23,528 (2.4%) for the six months ended June 30, 2002 as compared the comparable period in 2001. This increase is mainly due to an increase in outstanding accounts receivable due to timing of sales for the quarter ended June 30, 2001.

Cash flows used in investing activities decreased \$1,584,372 (84.5%) in the six months ended June 30, 2002 when compared to the comparable period in 2001. This decrease is mainly due a decline in additional temporary investments.

Cash flows used in financing activities increased \$48,817 (12.1%) in the six months ended June 30, 2002 when compared to the comparable period in 2001. This increase is mainly due to a decrease in stock options exercised during the six month period ended June 30, 2002 when compared to 2001.

PART II - OTHER INFORMATION

Item 6 (b) Exhibits and Reports on Form 8-K

- a. Exhibits - None
- b. Reports on Form 8-K - None

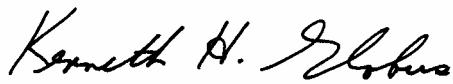
SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.
(Registrant)



Alfred R. Globus
Chief Executive Officer



Kenneth H. Globus
Chief Financial Officer

Date: August 6, 2002

STATEMENT UNDER OATH OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER REGARDING FACTS AND
CIRCUMSTANCES RELATING TO EXCHANGE ACT FILINGS

I, Alfred R. Globus, state and attest that:

- (1) To the best of my knowledge, based upon a review of the covered reports of United-Guardian, Inc., and, except as corrected or supplemented in a subsequent covered report:
 - no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
 - no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).
- (2) I have reviewed the contents of this statement with the Company's audit committee.
- (3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":
 - 2001 Annual Report on Form 10-KSB of United-Guardian, Inc.;
 - Definitive Proxy Statement dated April 15, 2002;
 - Form 10-QSB for period ended March 31, 2002;
 - Form 10-QSB for period ended June 30, 2002



Alfred R. Globus
Chairman and Chief Executive Officer

August 6, 2002

Subscribed and sworn to before me
this 6th day of August, 2002.



Notary Public

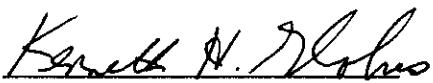
My Commission Expires: 1/20/03

KENNETH H. GLOBUS
Notary Public, State of New York
No. 4885848
Qualified in Suffolk County
Commission Expires January 20, 2003

STATEMENT UNDER OATH OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER REGARDING FACTS AND
CIRCUMSTANCES RELATING TO EXCHANGE ACT FILINGS

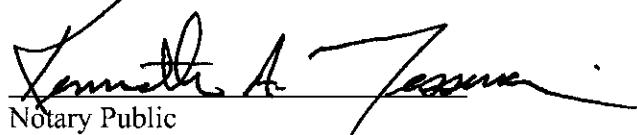
I, Kenneth H. Globus, state and attest that:

- (1) To the best of my knowledge, based upon a review of the covered reports of United-Guardian, Inc., and, except as corrected or supplemented in a subsequent covered report:
 - no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
 - no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).
- (2) I have reviewed the contents of this statement with the Company's audit committee.
- (3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":
 - 2001 Annual Report on Form 10-KSB of United-Guardian, Inc.;
 - Definitive Proxy Statement dated April 15, 2002;
 - Form 10-QSB for period ended March 31, 2002;
 - Form 10-QSB for period ended June 30, 2002


Kenneth H. Globus
President and Chief Financial Officer

August 6, 2002

Subscribed and sworn to before me
this 6th day of August, 2002.


Notary Public

My Commission Expires:

KENNETH A. MESSINA
Notary Public, State of New York
No. 52-7911694
Qualified in Suffolk County
Commission Expires 8-31-2002