

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1998

OR

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

For the transition period from _____ to _____

Commission File Number 01-21617

THE QUIGLEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

23-2577138

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

(MAILING ADDRESS: PO Box 1349, Doylestown, PA 18901.)

Landmark Building, 10 South Clinton Street, Doylestown, PA 18901

(Address of principle executive offices)

(Zip Code)

Registrant's telephone number, including area code: (215) 345-0919

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 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. [XX] Yes [] No

Indicate the number of shares outstanding of each of the issuer's class of
common stock, as of the latest practicable date. The number of shares
outstanding of each of the registrant's classes of common stock, as of March
31, 1998 is 13,382,996 all of one class of \$.0005 par value common stock.

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<CAPTION>

THE QUIGLEY CORPORATION
BALANCE SHEETS

ASSETS

	March 31, 1998 (unaudited)	December 31, 1997
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$32,343,514	\$25,498,359
Accounts receivable, net.....	1,127,409	10,851,573
Inventory.....	7,277,093	7,726,757
Prepaid income taxes.....	4,003,347	3,548,057
Prepaid expenses and other current assets.....	1,116,048	1,023,628
Deferred income taxes.....	594,227	591,245
TOTAL CURRENT ASSETS.....	46,461,638	49,239,619
EQUIPMENT - Less accumulated depreciation.....		
	221,485	162,189
OTHER ASSETS:		
Patent rights - Less accumulated amortization	351,045	372,986
Other assets.....	70,149	72,296
TOTAL OTHER ASSETS.....	421,194	445,282
TOTAL ASSETS.....	\$47,104,317	\$49,847,090

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable.....	\$337,756	\$1,115,620
Accrued royalties and sales commissions.....	1,409,710	4,730,856
Accrued freight.....	437,062	468,577
Other current liabilities.....	1,793,841	1,784,019
TOTAL CURRENT LIABILITIES	3,978,369	8,099,072

COMMITMENT AND CONTINGENCIES

STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; authorized 1,000,000; no shares issued	-	-
Common stock, \$.0005 par value; authorized		

50,000,000; Issued: 13,984,858 and 13,791,358 shares.....	6,992	6,896
Additional paid-in capital.....	24,624,357	23,046,551
Retained earnings	21,106,862	19,839,929
Less: Treasury stock, 601,862 and 486,862 shares, at cost.....	(2,612,263)	(1,145,358)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY.....	43,125,948	41,748,018
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$47,104,317	\$49,847,090
	=====	=====

</TABLE>

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
	-----	-----
<S>	<C>	<C>
NET SALES	\$ 7,271,819	\$22,182,007
	-----	-----
COST OF SALES	2,211,296	6,888,823
	-----	-----
GROSS PROFIT	5,060,523	15,293,184
	-----	-----
OPERATING EXPENSES:		
Sales and marketing	2,373,522	2,486,124
Administration	994,046	1,918,536
	-----	-----
TOTAL OPERATING EXPENSES	3,367,568	4,404,660
	-----	-----
INCOME FROM OPERATIONS	1,692,955	10,888,524
INTEREST INCOME	383,984	18,972
	-----	-----
INCOME BEFORE TAXES	2,076,939	10,907,496
	-----	-----
INCOME TAXES	810,006	4,417,681
	-----	-----
NET INCOME	\$ 1,266,933	\$ 6,489,815
	-----	-----
Earnings per common share:		
Basic	\$0.10	\$0.54
	=====	=====
Diluted	\$0.08	\$0.44
	=====	=====
Weighted average common shares outstanding:		
Basic	13,325,913	12,063,830
	=====	=====
Diluted	15,296,819	14,748,542
	=====	=====

</TABLE>

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 1998	March 31, 1997
	-----	-----
<S>	<C>	<C>
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,822,839	6,290,600
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures	(77,718)	(50,436)
Patent rights and other assets	(963)	(15,514)
	-----	-----
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(78,681)	(65,950)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefits from stock options, warrants and common stock	1,268,278	--
Proceeds from exercises of options and warrants	299,624	27,500
Proceeds from common stock issued	--	76,007
Due from attorney's escrow account	--	260,000
Change in stock subscription receivable	--	(1,774)
Repurchase of Common stock	(1,466,905)	--
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	100,997	361,733
	-----	-----
NET INCREASE IN CASH	6,845,155	6,586,383
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	25,498,359	2,455,973
	-----	-----
CASH & CASH EQUIVALENTS, END OF PERIOD	\$32,343,514	\$9,042,356
	=====	=====

Supplemental disclosure of cash flow information

	Three Months Ended	
	March 31, 1998	March 31, 1997
	-----	-----
Income taxes paid	--	--
	-----	-----
Non cash investing and financing:		
Capital expenditures	--	(\$7,905)
Patent rights	--	(205,000)
Common stock issued for services performed	--	1,358,263
Treasury stock cost	--	(\$1,145,358)

</TABLE>

See accompanying notes to financial statements

THE QUIGLEY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATIONAL AND GENERAL

The Quigley Corporation (the "Company"), organized under the laws of the state of Nevada, is primarily engaged in the development, manufacturing, and marketing of homeopathic cold remedies. The products developed are being offered to the general public through distributors and brokers. For the fiscal periods presented, and for the immediate future, the Company plans to continue concentrating its efforts in the promotion of its major proprietary "Cold-Eeze(R)" products.

These products are based upon a proprietary zinc gluconate glycine formula which, in a clinical study conducted by The Cleveland Clinic, has been shown to reduce the severity and duration of the common cold symptoms by nearly half. The results of this randomized double-blind placebo-controlled study of the common cold were published in 1996 in the Annals of Internal Medicine - Vol. 125 No.2. Research is continuing on this product in order to maximize its full potential use by the general public.

The Company has an exclusive agreement for worldwide representation, manufacturing, marketing and distribution rights for the zinc gluconate glycine lozenge formulation, known as "Cold-Eeze(R)", which is patented in the United States, United Kingdom, Sweden, France, Italy, Canada, Germany, and pending in Japan. In 1996, the Company also acquired exclusive license for a United States zinc gluconate use patent number RI 33,465 from the patent holder. This use patent gives the Company exclusive rights to both the use and formulation patents on zinc gluconate for reducing the duration and severity of the common cold symptoms.

The business of the Company is subject to federal and state laws and regulations adopted for the health and safety of users of the Company's products. Cold-Eeze(R) is a homeopathic remedy which is subject to regulations by various federal, state and local agencies, including the FDA and the Homeopathic Pharmacopoeia of the United States.

The Company competes with suppliers varying in range and size in the cold remedy products arena. Cold-Eeze(R) which has been clinically proven, offers a significant advantage over other suppliers in the over-the-counter cold remedy market. The management of the Company believes there should be no future impediment on our ability to compete in the marketplace now, or in the immediate future, since factors concerning the product, such as, price, product quality, availability, reliability, credit terms, name recognition, delivery and support are all properly positioned. The Company has several Broker, Distributor and Representative Agreements, both nationally and internationally and the product is distributed through numerous independent and chain drug and discount stores throughout the United States.

The Cold-Eeze(R) product is produced for the Company by a contract manufacturer. This manufacturer produces exclusively for the Company.

The Balance Sheet as of March 31, 1998, the Statements of Income for the three months periods ended March 31, 1998 and 1997, and the Statements of Cash Flows for the three months periods ended March 31, 1998 and 1997, have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows, for the periods indicated, have been made. All adjustments made were of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and accompanying notes for the fiscal year ended December 31, 1997, in the Company's Form 10-KSB.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain prior period amounts have been reclassified to conform with the 1998 presentation.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," requiring public companies report certain information about operating segments within their financial statements. Additionally, it requires that such entities report certain information about their products and services, the geographic areas in which they operate, and their major customers. These additional disclosure requirements are required within financial statements for fiscal years beginning after December 15, 1997. During 1998, the Company expects to commence international activities which may require additional disclosures.

NOTE 3 - TRANSACTIONS AFFECTING STOCKHOLDERS' EQUITY

On January 8, 1998, the Company's Board of Directors authorized a plan to reacquire up to 250,000 of the Company's issued and outstanding common stock shares during the period ended December 31, 1998. The schedule and amount of shares re-purchased will be based upon market conditions. As of March 31, 1998, 115,000 shares have been repurchased at an average cost per share of \$12.76 giving a total cost of \$1,466,905.

During the three month period ended March 31, 1998 a total of 193,500 shares were issued through the exercise of stock options and warrants of the Company. The difference between the option payment price and cash received, resulted in an increase to the additional paid-in-capital of the Company.

At March 31, 1998, there were 4,224,100 unexercised issued options and warrants of the Company's stock.

NOTE 4 - INCOME TAXES

Income taxes includes both deferred and currently payable taxes. Deferred income taxes result from "temporary differences" which consist of a different tax base for assets and liabilities than their reported amounts in the financial statements. The deferred tax asset of \$594,227 consists of the tax effects for contract termination costs and miscellaneous items. Certain exercises of options and warrants during the three months ended March 31, 1998, resulted in reductions to taxes currently payable and a corresponding increase to additional paid-in-capital totaling \$1,268,278. These reductions are "permanent differences" and do not affect the provisions for deferred or current income tax expense.

For the three months ended March 31, 1998 and fiscal year ended December 31, 1997 an effective tax rate has been provided for at 39% and 40.5% respectively. The reduction in the effective rate was the result of certain State tax planning strategies employed by the Company during the first quarter of 1998.

NOTE 5 - EARNINGS PER SHARE

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standard No. 128, "Earnings Per Share," which simplifies earnings per share calculations and requires presentation of both basic and diluted earnings per share on the face of the statement of income. Per this statement, basic earnings per share ("EPS") excludes dilution and is computed by dividing income available to common stockholders by the weighted - average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted EPS also utilizes the treasury stock method that prescribes a theoretical

buy back of shares from the theoretical proceeds of all options and warrants outstanding during the period. Since there is a large number of options and warrants outstanding, fluctuations in the actual market price can have a varying of results for each period presented. A reconciliation of the applicable numerators and denominators of the income statement periods presented is as follows (millions, except earnings per share amounts):

	Three Months Ended March 31, 1998			Three Months Ended March 31, 1997		
	Income	Shares	EPS	Income	Shares	EPS
Basic EPS	\$1.3	13.3	\$0.10	\$6.5	12.1	\$0.54
Dilutives:						
Options/Warrants	--	2.0		--	2.6	
Diluted EPS	\$1.3	15.3	\$0.08	\$6.5	14.7	\$0.44

NOTE 6 - STATUS OF NUTRITIONAL FOODS CORPORATION LITIGATION

During 1992, the Company authorized litigation against Nutritional Foods Corporation ("NFC") in which the Company sought to cancel the 729,928 restricted shares issued to NFC for international marketing services, as a result of certain false and misleading representations made by it to the Company including, but not limited to, NFC's failure to act as the Company's international sales agent under an Agreement between NFC and the Company.

Pursuant to a final decree issued in the Court of Common Pleas of Bucks County, Pennsylvania dated January 23, 1997, the Company received an order to return to treasury these outstanding shares. In November of 1997, NFC challenged the validity of the decree. In March of 1998, a subsequent order of the Court of Common Pleas of Bucks County modified the decree of January 23, 1997 to provide for a return to treasury of 604,928 shares to the Company. As payment for legal services, 118,066 of these shares were reissued with a market value of approximately \$1,145,358. This value, the cost of reacquiring these shares, then became the value of the net treasury stock (\$2.35 per share) represented by 486,862 shares returned to treasury. The impact has been reflected in the Balance Sheet as of December 31, 1997.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company maintains certain royalty agreements with the founders and developers, licensors, and consultants for the Cold-Eeze(R) product. The gross royalty is 13% of sales collected before certain deductions and related tax benefits. Of this percentage a three percent royalty is payable to the patent holder whose agreement expires in 2002, a three percent royalty is payable to the developer of the product formulation together with a two percent consulting fee based on an agreement that expires in 2007. Additionally, a founder's royalty totaling 5%, on gross receipts on sales of the product less certain deductions, is paid to two of the officers whose agreements expire in 2005.

The Company has contractual commitments for advertising amounting to approximately \$5,500,000. Additional advertising costs are expected to be incurred during the remainder of the year.

The Company has reached an agreement in principle to purchase a building, including improvements, approximating 14,000 square feet that will be used as corporate offices as well as laboratory facilities, at a cost approximating \$1 million.

In September 1997, the Company obtained a \$5 million revolving line of credit facility with Commerce Bank, N.A. for general corporate purposes. This facility is collateralized by accounts receivable and inventory, renews in September 1998, with interest at prime or 275 basis points above the Euro-Dollar Rate. There were no borrowings under this line during the period ended March 31, 1998.

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, this Report contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to management of growth, competition, pricing pressures on the Company's product, industry growth and general economic conditions. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. The Company is subject to a variety of additional risk factors more fully described in the Company's annual report by Form 10-KSB filed with the Securities and Exchange Commission.

Overview
- - - - -

The first quarter of 1998 resulted in a comparative slow down in revenues over

the same period in 1997. First quarter revenues in 1998 were \$7,271,819 as compared to \$22,182,007 in 1997. The winter conditions throughout the United States during the 1998 cold and flu season have been less severe than normal. Reflected in the first quarter of 1997, is the filling of approximately \$12 million in backorders at December 31, 1996. The demand for the product is seasonal, with the fourth and first quarters representing the largest sales volume.

The Company continues to use the resources of a contract manufacturer and independent national and international brokers to represent the Company's Cold-Eeze(R) lozenge product, thereby saving capital and other ongoing expenditures that would otherwise be incurred.

Manufacturing efficiencies and contract commitments introduced in the first quarter 1997 resulted in increased product availability, thereby ensuring that domestic and future international product demand can be met.

During February 1998, an agreement was reached with Genpharm, Inc., a wholly-owned subsidiary of the pharmaceutical company Merck KgaA, Darmstadt, Germany, for exclusive distribution of the Company's proprietary Cold-Eeze(R) products in the Canadian market. In March, the Company reached an agreement with a Hong Kong based Chinese distribution company for the non-exclusive distribution of Cold-Eeze(R) in the People's Republic of China. Both agreements, effective immediately, will launch the international distribution of the Cold-Eeze(R) product.

Results of Operations

- - - - -

Three months ended March 31, 1998 compared to three months ended March 31, 1997

- - - - -

For the three months ended March 31, 1998, the Company reported revenues of \$7,271,819 and net income of \$1,266,933, as compared to revenue of \$22,182,007 and net income of \$6,489,815 for the comparable period ended March 31, 1997. The reduction in revenue is due to the mild winter conditions throughout the United States with the 1998 cold and flu season being less severe than usual. Also included in the first quarter 1997 figure is approximately \$12 million in revenues that represented an order backlog existing at December 31, 1996.

Cost of Sales as a percentage of net sales for the three months ended March 31, 1998 was 30.4% compared to 31.1% for the comparable period ended March 31, 1997. This reduction is a result of efficiencies and cost saving processes employed by the manufacturer which were not in place during the full first quarter of 1997.

For the three months ended March 31, 1998, total operating expenses were \$3,367,568 compared to \$4,404,660 for the comparable period ended March 31, 1997. The operating expenses have remained high primarily due to a continuing advertising and promotion campaign commenced during the latter part of 1997 to establish Cold-Eeze(R) as a recognized brand name and to support the sales base.

During the three months ended March 31, 1998, the major operating expenses of delivery, salaries, brokerage commissions, promotion, advertising, and legal costs accounted for \$2,925,621 (87%) of total operating costs. The remaining items for this period remained relatively fixed in that they do not follow sales trends. These same expense categories for the comparable period in 1997 accounted for \$3,514,642 (80%) of total operating costs. As percentage of

sales, the 1998 first quarter operating expenses assume a higher percentage compared to the same period in 1997 due to the lower 1998 sales.

Liquidity and Capital Resources

- - - - -

The total assets of the company at March 31, 1998 and December 31, 1997 were \$47,104,317 and \$49,847,090 respectively. Working capital increased to \$42,483,269 from \$41,140,547 during the period. The significant movement within total assets is the reduction in accounts receivable of \$9,724,164, cash and cash equivalents increasing by \$6,845,155 prepaid income taxes increasing by \$455,290 and inventory decreasing by \$449,664. From a working capital perspective accounts payable and accrued royalties and sales commissions were reduced over the period by \$777,864 and \$3,321,146 respectively. Total cash balances at March, 1998 were \$32,343,514, as compared to \$25,498,359 at December 31, 1997.

The management of the Company currently believes that the current liquidity and continuing revenues, along with related profits generated, for the remainder of 1998, should provide an internal source of capital to fund the Company's business operations. Additionally, in September 1997 the Company obtained a \$5

million revolving line of credit facility with Commerce Bank, N.A. for general corporate purposes. This facility is collateralized by accounts receivable and inventory, and renews in September 1998, with interest accruing at the Wall Street Journal prime rate, or 275 basis points above the Euro-Dollar Rate, each to move with the respective base rate. There were no borrowings under this line during the three-month period ended March 31, 1998.

Management is not aware of any trends, events or uncertainties that have or are reasonably likely to have a material negative impact upon the Company's (a) short term or long term liquidity, (b) net sales or revenues or income from continuing operations. Any challenge to the Company's patent rights could have a material adverse effect on future liquidity of the Company, however, the Company is not aware of any condition that would make such an event probable.

New Accounting Standards

In June 1997, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," requiring public companies report certain information about operating segments within their financial statements. Additionally, it requires that such entities report certain information about their products and services, the geographic areas in which they operate, and their major customers. These additional disclosure requirements are required within financial statements for fiscal years beginning after December 15, 1997. During 1998, the Company expects to commence international activities which may require additional disclosures.

Capital Expenditures

No significant capital expenditures are planned beyond those previously disclosed.

Part II. Other Information

Item 1. Legal Proceedings

During 1992, the Company authorized litigation against Nutritional Foods Corporation ("NFC") in which the Company sought to cancel the 729,928 restricted shares issued to NFC for international marketing services, as a result of certain false and misleading representations made by it to the Company including, but not limited to, NFC's failure to act as the Company's international sales agent under an Agreement between NFC and the Company.

Pursuant to a final decree issued in the Court of Common Pleas of Bucks County, Pennsylvania dated January 23, 1997, the Company received an order to return to treasury these outstanding shares. In November of 1997, NFC challenged the validity of the decree. In March of 1998, a subsequent order of the Court of Common Pleas of Bucks County modified the decree of January 23, 1997 to provide for a return to treasury of 604,928 shares to the Company. As payment for legal services, 118,066 of these shares were reissued with a market value of approximately \$1,145,358. This value, the cost of reacquiring these shares, then became the value of the net treasury stock (\$2.35 per share) represented by 486,862 shares returned to treasury.

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed during the quarter ended March 31, 1998.

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SIGNATURES

Pursuant to 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.

THE QUIGLEY CORPORATION

By: /s/ George J. Longo

George J. Longo
Vice President,
Chief Financial Officer

Date: May 6, 1998

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