

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended JUNE 30, 2001

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 (IRS Employer Identification No.)
incorporation or organization)

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

KELLS BUILDING, 621 SHADY RETREAT ROAD, 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. [X] 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 July 31, 2001, was 10,675,153 all of one class of \$.0005 par value Common Stock.

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ASSETS	June 30, 2001 (unaudited)	December 31, 2000
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,695,171	\$ 11,365,843
Accounts receivable (less doubtful accounts of \$480,385 and \$536,297)	1,359,887	4,062,703
Inventory	7,337,274	6,917,889
Prepaid expenses and other current assets	2,673,756	1,123,275
TOTAL CURRENT ASSETS	20,066,088	23,469,710
PROPERTY, PLANT AND EQUIPMENT - NET	2,339,273	2,139,727
OTHER ASSETS:		
Patent rights - Less accumulated amortization	65,821	109,702
Excess of cost over net assets acquired	435,717	329,166
Other assets	53,042	7,296
TOTAL OTHER ASSETS	554,580	446,164
TOTAL ASSETS	\$ 22,959,941	\$ 26,055,601

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 316,059	\$ 763,527
Accrued royalties and sales commissions	994,939	1,449,642
Accrued advertising	413,263	1,737,873
Other current liabilities	1,169,145	896,541
TOTAL CURRENT LIABILITIES	2,893,406	4,847,583
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN CONSOLIDATED AFFILIATES	165,575	237,326
STOCKHOLDERS' EQUITY:		
Common stock, \$.0005 par value; authorized 50,000,000; Issued: 15,321,206 and 15,271,206 shares	7,661	7,636
Additional paid-in-capital	28,915,613	28,871,887
Retained earnings	16,165,845	17,249,197
Less: Treasury stock, 4,646,053 and 4,616,053 shares, at cost	(25,188,159)	(25,158,028)
TOTAL STOCKHOLDERS' EQUITY	19,900,960	20,970,692
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 22,959,941	\$ 26,055,601

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
SALES:				
Sales	\$ 3,381,951	\$ 1,300,111	\$ 8,580,488	\$ 7,914,897
Co-operative advertising promotions	42,100	479,962	436,763	1,687,862
NET SALES	3,339,851	820,149	8,143,725	6,227,035
SETTLED LITIGATION	1,273,864	--	1,273,864	--
TOTAL REVENUE	4,613,715	820,149	9,417,589	6,227,035
COST OF SALES	1,732,349	409,227	3,517,281	2,684,155
GROSS PROFIT	2,881,366	410,922	5,900,308	3,542,880
OPERATING EXPENSES:				
Sales and marketing	1,095,547	423,314	2,634,992	5,895,070
Administration	2,381,700	1,543,447	4,168,866	3,066,112
Research and development	275,499	254,280	523,032	490,414
TOTAL OPERATING EXPENSES	3,752,746	2,221,041	7,326,890	9,451,596
LOSS FROM OPERATIONS	(871,380)	(1,810,119)	(1,426,582)	(5,908,716)
INTEREST AND OTHER INCOME	119,307	157,829	271,478	332,988

LOSS BEFORE TAXES	(752,073)	(1,652,290)	(1,155,104)	(5,575,728)
INCOME TAXES EXPENSE (BENEFIT)	--	--	--	--
MINORITY INTEREST IN LOSS OF CONSOLIDATED AFFILIATE	71,630	--	71,752	--
NET LOSS	(\$ 680,443)	(\$ 1,652,290)	(\$ 1,083,352)	(\$ 5,575,728)
LOSS PER COMMON SHARE:				
Basic	(\$ 0.06)	(\$ 0.16)	(\$ 0.10)	(\$ 0.53)
Diluted	(\$ 0.06)	(\$ 0.16)	(\$ 0.10)	(\$ 0.53)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	10,675,153	10,556,279	10,675,153	10,453,005
Diluted	10,675,153	10,556,279	10,675,153	10,453,005

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2001	June 30, 2000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(\$ 2,204,065)	(\$ 5,485,450)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(307,983)	(291,027)
Net cost of assets acquired	(128,493)	--
NET CASH FLOWS FROM INVESTING ACTIVITIES	(436,476)	(291,027)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Common Stock	(30,131)	--
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(30,131)	--
NET DECREASE IN CASH	(2,670,672)	(5,776,477)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	11,365,843	13,990,475
CASH & CASH EQUIVALENTS, END OF PERIOD	\$ 8,695,171	\$ 8,213,998

See accompanying notes to financial statements

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THE QUIGLEY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

The Quigley Corporation (the "Company"), organized under the laws of the state of Nevada, is engaged in the development, manufacturing, and marketing of health and homeopathic products and are being offered to the general public. For the fiscal periods presented, the Company's proprietary "Cold-Eeze(R)" products contribute the majority of revenues.

Darius International Inc., a wholly owned subsidiary of The Quigley Corporation was formed in January 2000 to introduce new products to the marketplace through a network of independent distributors. Darius is a direct selling organization specializing in proprietary health and wellness products, which commenced shipping product to customers in the third quarter of 2000.

Effective July 1, 2000, The Quigley Corporation acquired a 60% ownership position of Caribbean Pacific Natural Products, Inc. an Orlando, Florida-based company. Caribbean Pacific Natural Products, Inc. is a leading developer and marketer of all-natural sun and skincare products for luxury resorts, theme parks and spas.

The formation of Darius International Inc., and the majority ownership in Caribbean Pacific Natural Products, Inc., provide diversification to the Company in both the method of product distribution and the broader range of products available to the marketplace.

In January 2001, the Company formed an Ethical Pharmaceutical Unit under the direction of the Quigley Pharma Inc's Executive Vice President and chairman of its Medical Advisory Committee. The launch of Quigley Pharma Inc., follows the Patent Office of The United States Commerce Department confirming the assignment to the Company of a Patent Application filing for the "Method and Composition for the Topical Treatment of Diabetic Neuropathy". Establishing a dedicated pharmaceutical subsidiary will enable the Company to diversify into the prescription drug market and to ensure safe and effective distribution of this important new product for the relief of diabetes-related pain.

Cold Remedy Products -----

Cold-Eeze(R), a zinc gluconate glycine formulation (ZIGG(TM)), is sold in lozenge, bubble gum and sugar-free tablet forms. In May 1992, the Company entered into an exclusive agreement for worldwide representation, manufacturing, marketing and distribution rights to a zinc gluconate glycine lozenge formulation which was patented in the United States, United Kingdom, Sweden, France, Italy, Canada, Germany, and pending in Japan. This product is presently being marketed by the Company and also through independent brokers and marketers in the United States under the trade names Cold-Eeze(R), Cold-Eeze(R) Sugar Free, and Cold-Eeze(R) Bubble Gum and in Canada under the trade name Zigg-Eeze(TM).

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 common cold symptoms.

In two double blind studies Cold-Eeze(R) has been shown to reduce the severity and duration of common cold symptoms by nearly half. The results of the latest 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.

In the last half of 1998, the Company launched Cold-Eeze(R) in a sugar free version of the product to benefit diabetics and other consumers concerned with their sugar intake. Late in the fourth quarter of 1998, the Company launched a bubble gum version of Cold-Eeze(R).

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 that 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 the ability to compete in the marketplace now,

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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 Company continues to use the resources of independent national and international brokers complementing its own personnel to represent the Company's over-the-counter products, thereby saving capital and other ongoing expenditures that would otherwise be incurred.

Health And Wellness Products -----

At the very end of 1998, the first product of the Bodymate(TM) line was launched in a test market to enter the nutrition and weight management industry. The unique proprietary delivery system and naturalness of this product, with the main ingredients of garcinia cambogia and chromium polynicotinate, offers instant satisfaction and gratification to those attempting to lose weight. It is believed that the ingredients in this product may block an enzyme necessary for the formation of fats from carbohydrates, and affects the appetite to bring about a feeling of fullness.

Darius International, Inc., a wholly owned subsidiary, was formed in January 2000 for the purpose of introducing new products to the marketplace through a network of independent distributors. Darius is a direct selling organization specializing in proprietary health and wellness products. The products marketed and sold by Darius International are designed to improve the human condition, be it in the area of joint health, immunity, energy, pain, weight loss or the common cold. The products currently available from Darius include: Bodymate(TM) Metabolizer, Bodymate(TM) Gluco-Eeze, Ultra-Eeze, Vita-Eeze, Beta-Eeze, Cold-Eezer(R) Plus, Cold-Eezer(R) Cinnamon Gum, Dermaloe first aid antiseptic, Pain Goes pain spray, Ardor dietary supplement and a wide array of food supplements and vitamins.

Sun-care and Skincare Products -----

Caribbean Pacific Natural Products, Inc., is a leading developer and marketer of all-natural sun and skincare products for luxury resorts, theme parks and spas.

These products are all-natural, eco-safe, and organic, meaning that the need for petro-chemical, synthetic, and chemical additives used by most competitors has been eliminated. All-natural ingredients such as aloe vera, rose hip oil, squalane, Vitamin E, tea tree oil and other natural oils and extracts are used instead of many synthetic preservatives, fillers and softeners which may have side-effects.

Caribbean Pacific currently has three distinct product lines: Virgin Sol, Coral Sol and Sport Sol and is currently developing a spa line called Sabate and a dry-grip golf product.

Caribbean Pacific markets a line of natural protectors, or "Sol Cremes" that provide dual protection against the damaging effects of the sun. This product is available in differing Sun Protection Factors (SPF). Caribbean Pacific also markets a sunscreen product called "Karibbean Kidz" especially for children, again containing all natural ingredients found in nature.

Additionally, Caribbean Pacific markets various products rich in essential nutrients and vitamins necessary for the skin. Products available in this category are: Black Pearl Ultra Oil, Diamond Rose Dry Tanning Oil and Emerald Rose Tanning Oil.

Caribbean Pacific has developed an effective combination of natural ingredients for moisture that include the Aloe Rose Body Creme, a moisturizing lotion, and the Tea Tree Burn Relief, which cools the skin to sooth the discomfort associated with burns, insect bites and itching.

Caribbean Pacific also has the capability to make available customized merchandise, such as beach bags, beach towels etc., which complement the range of sun-care and skincare products, which it currently markets.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated Balance Sheet at June 30, 2001, the consolidated Statements of Operations for the three and six-months periods ended June 30, 2001 and 2000, and the consolidated Statements of Cash Flows for the six-months periods ended June 30, 2001 and 2000, have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position, consolidated results of operations and consolidated cash flows, for the periods indicated, have been made.

Darius International Inc., a wholly owned subsidiary of The Quigley Corporation, was formed in January 2000 to implement alternative methods of marketing and distribution for existing and new product lines.

During July 2000, the Company acquired a 60 percent ownership position of Caribbean Pacific Natural Products, Inc., a leading developer and marketer of all-natural sun and skincare products for luxury resorts, theme parks and spas. This acquisition is accounted for by the purchase method of accounting and accordingly, the operating results have been included in the Company's consolidated Statements of Operations from the date of acquisition. This majority ownership position required a cash investment that approximated \$812,000 and the provision for a \$1 million line of credit, secured by inventory, accounts receivable and all other assets of Caribbean Pacific Natural Products. The net assets of Caribbean Pacific Natural Products, Inc., at the acquisition date principally consisted of a product license and distribution rights with no recorded value, inventory and fixed assets of \$312,915 and \$510,000 of working capital with a contribution to minority interest of \$329,166.

The 40 percent ownership position representing the minority interest of Caribbean Pacific Natural Products, Inc., is reflected in the consolidated Statements of Operations for their portion of (losses), and the consolidated Balance Sheet for their ownership portion of accumulated (losses), share of net assets and capital stock at acquisition date.

On January 2, 2001, the Company acquired certain assets and assumed certain liabilities of a privately held company involved in the direct marketing and distribution of health and wellness products. This acquisition required cash payments that will approximate \$242,000 and 50,000 shares of the Company's stock issued to the former owners of the assets acquired. These cash payments require an initial payment of \$100,000, with the balance to be paid as percent of sales attained until the total price of \$242,000 is accomplished. The net assets acquired at acquisition principally consisted of intangibles with no recorded value, inventory and fixed assets of \$421,000 and liabilities assumed approximating \$299,000. Also required are continuous payments for the use of product formulations; consulting; confidentiality and non-compete fees that total up to 12% on net sales collected until \$540,000 is paid, which such fees become 5% on net sales collected for the continuous applications of these arrangements. This acquisition is accounted for by the purchase method of accounting and accordingly, the operating results have been included in the Company's consolidated Statements of Operations from the date of acquisition. The excess of cost over net assets acquired is being amortized on a straight-line basis over a period of 15 years.

All inter-company transactions and balances have been eliminated.

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, 2000, in the Company's Form 10-K.

Revenues for 2000 have been re-classed to reflect the changes required by the Emerging Issues Task Force ("EITF") that issued EITF No. 00-14, "Accounting for Coupons, Rebates and Discounts" that addressed accounting for sales incentives.

CONCENTRATION OF RISKS

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, investments and trade accounts receivable.

The Company maintains cash and cash equivalents with three major financial institutions. Since the Company maintains amounts in excess of guarantees provided by the Federal Depository Insurance Corporation, the Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution.

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The Company currently uses three separate suppliers to produce Cold-Eeze(R) in lozenge, bubble gum, and sugar free tablet form. The Bodymate(TM) product and the Cold-Eeze(R) lozenge are manufactured by a third party manufacturer that produces exclusively for the Company. The majority of the Company's revenues are currently generated from the sale of the Cold-Eeze(R) lozenge product. The other forms are manufactured by third parties that produce a variety of other products for other customers. Should these relationships terminate or discontinue for any reason, the Company has formulated a contingency plan in order to prevent such discontinuance from materially affecting the Company's operations. Any such termination may, however, result in a temporary delay in production until the replacement facility is able to meet the Company's production requirements.

Raw material used in the production of the product is available from numerous sources. Currently, it is being procured from a single vendor in order to secure purchasing economies. In a situation where this one vendor is not able to supply the contract manufacturer with the ingredients, other sources have been identified.

COUPONS, REBATES AND DISCOUNTS

In May 2000, the Emerging Issues Task Force ("EITF") issued EITF No. 00-14, "Accounting for Coupons, Rebates and Discounts" that addressed accounting for sales incentives. The Task Force concluded that in accounting for cash sales incentives, a manufacturer should recognize the incentive as a reduction of revenue on the later date of the manufacturer's sale or the date the offer is made to the public. The reduction of revenues should be measured based on the estimated amount of incentives to be claimed by the ultimate customers. This pronouncement was adopted in the first quarter of 2001.

ROYALTIES

The Company includes royalties and founders commissions incurred as cost of products sold based on agreement terms.

ADVERTISING

Advertising costs are generally expensed within the period to which they relate. Advertising costs incurred for the six months ended June 30, 2001 and 2000 were \$1,180,102 and \$6,552,571, respectively. Included in prepaid expenses and other current assets were \$494,000 and \$419,000 at June 30, 2001 and December 31, 2000 respectively, relating to prepaid advertising and promotion expenses.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations in the year incurred. Expenditures for the six months ended June 30, 2001 and 2000 were \$523,032 and \$490,414, respectively. Included in Research and Development is the expenses incurred as part of the costs related to the application for a pharmacy drug license in the United Kingdom.

INCOME TAXES

The Company utilizes an asset and liability approach which requires the recognition of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law or rates. See Note 5 for disclosure related to this Standard.

BUSINESS SEGMENTS AND RELATED INFORMATION

Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," requires public companies to report certain information about operating segments within their financial statements. See Note 3 for disclosure related to this Standard.

NOTE 3 - SEGMENT INFORMATION

The basis for presenting segment results generally is consistent with overall Company reporting. The primary difference relates to presentation of partially-owned operations, which are presented as if owned 100% in the operating segments. The adjustment to ownership basis is included in Corporate & Other. In the third quarter of 2000, the Company qualified for the Financial Accounting Standard Board Statement No. 131, "Disclosure About Segments of an Enterprise and Related Information" which establishes standards for reporting information about a company's operating segments.

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The Company has divided its operations into three reportable segments: The Quigley Corporation, whose main product is Cold-Eeze(R), a proprietary zinc gluconate glycine lozenge in the OTC cold remedy category; Darius International, Inc., whose business is the sale and direct marketing of a range of health and wellness products and Caribbean Pacific Natural Products, Inc., a leading developer and marketer of all-natural sun and skin care products for luxury resorts, theme parks and spas.

Financial information by business segment follows:

As of and for the three months ended June 30, 2001	OTC Cold Remedy Products	Direct Marketing Health and Wellness	Sun and Skincare Products	Corporate and Other	Total
Net Sales					
Customers	\$1,006,549	\$1,585,461	\$747,841	-	\$3,339,851
Inter-segment	(115,673)	(117,790)	-	\$233,463	-
Settled litigation	1,273,864	-	-	-	1,273,864
Segment operating profit (loss)	(700,090)	(98,958)	(199,009)	126,677	(871,380)

As of and for the six months ended June 30, 2001	OTC Cold Remedy Products	Direct Marketing Health and Wellness	Sun and Skincare Products	Corporate and Other	Total
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Options/Warrants	-	-	-	-	-	-	-	-	-	-	-	
Diluted EPS	(\$0.7)	10.7	(\$0.06)	(\$1.1)	10.7	(\$0.10)	(\$1.7)	10.6	(\$0.16)	(\$5.6)	10.5	(\$0.53)

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NOTE 7 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has sales brokerage and other arrangements with entities whose major stockholders are also stockholders of The Quigley Corporation, or are related to major stockholders of the Company. Commissions and other items paid or payable under such arrangements amounted to approximately \$69,000 and \$145,000, respectively, for the six-months periods ended June 30, 2001 and 2000.

The Company is in the process of acquiring licenses in certain countries through related party entities. For the six-months periods ended June 30, 2001 and 2000, fees amounting to \$150,470 and \$121,338, respectively, have been paid to a related entity to assist with the regulatory aspects of obtaining such licenses.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company maintains certain royalty and founders commission agreements with the developers, licensors, founders, and consultants for the Cold-Eeze(R) products. These payments are 13% of sales collected less certain deductions. Of this percentage, a three percent royalty on sales collected less certain deductions is payable to the patent holder whose agreement expires in 2002, a three percent royalty of sales collected less certain deductions 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 founders' commission is payable totaling 5% of sales collected less certain deductions, which is shared by two of the officers whose agreements expire in 2005.

Also, required for the acquisition of certain assets of a privately held company involved in the direct marketing and distribution of health and wellness products are continuous payments for the use of product formulations; consulting; confidentiality and non-compete fees that total up to 12% on net sales collected until \$540,000 is paid, which such fees become 5% on net sales collected for the continuous applications of these arrangements.

The Company has remaining contractual commitments for advertising and other purchases amounting to approximately \$225,000.

The Company is subject to legal proceedings and claims noted in Part II, "Other Information", Item I, "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.

NOTE 9 - SETTLED LITIGATION

The Quigley Corporation filed a patent infringement suit against Gel Tech, LLC, the developer of Zicam(TM), and Gum Tech International, Inc., its distributor, in November 1999. Subsequent motions by the defendants to dismiss Quigley's lawsuit were denied by the court.

The suit was tried in the United States District Court for the Eastern District of Pennsylvania. On June 6, 2001, the Company agreed to a minimum settlement in excess of \$1.6 million in its patent infringement suit against Gel Tech, LLC and Gum Tech International, Inc.

Under the agreement, Gum Tech will pay The Quigley Corporation \$1,137,500 for a limited license for Quigley's patent on the use of zinc gluconate for the treatment of the duration and symptoms of the common cold. Gum Tech is also required to pay The Quigley Corporation an ongoing royalty of 5.5 percent from April 1, 2001 through March 5, 2002 on all Zicam cold relief sales. In addition, Gum Tech has guaranteed to pay Quigley a minimum of \$500,000 in ongoing royalties regardless of sales through March 5, 2002.

To ensure compliance with the settlement terms, The United States District Court for the Eastern District of Pennsylvania will retain jurisdiction for any disputes arising from a violation of the agreement and order.

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NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

SFAS 141

In July 2001, the Financial Accounting Standards Board issued SFAS 141, BUSINESS COMBINATIONS, which is required for all business combinations initiated after June 30, 2001. The standard eliminates the use of the pooling-of-interest method and improves the accounting and reporting for business combinations. The Company does not expect that the new standard will have a material effect on the results of operations or cash flows.

SFAS 142

Also in July 2001, the FASB issued SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS. This standard requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. This change is expected to provide investors with greater information regarding the economic value of goodwill and its impact on earnings. The Company will be required to adopt this standard in fiscal 2003, however early adoption in fiscal 2002 will be permitted. The Company has not yet determined the impact to its financial statements of adoption of this standard.

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 on Form 10-K filed with the Securities and Exchange Commission.

OVERVIEW

Revenues for the three and six months periods ended June 30, 2001 were \$4,613,715 and \$9,417,589 as compared to \$820,149 and \$6,227,035 for the comparable 2000 periods. Revenues for the six months ended June 30, 2001 include an amount of \$1,273,864 in the settlement of a lawsuit following the filing by the Quigley Corporation of a patent infringement suit against Gel Tech, LLC, the developer of Zicam(TM), and Gum Tech International, Inc., its distributor, in November 1999. Under the agreement, Gum Tech will pay The Quigley Corporation \$1,137,500 for a limited license for Quigley's patent on the use of zinc gluconate for the treatment of the duration and symptoms of the common cold. Gum Tech is also required to pay The Quigley Corporation an ongoing royalty of 5.5 percent from April 1, 2001 through March 5, 2002 on all Zicam cold relief sales. In addition, Gum Tech has guaranteed to pay Quigley a minimum of \$500,000 in ongoing royalties regardless of sales through March 5, 2002. Legal and other expenses associated with this lawsuit in the six months period ended June 30, 2001 approximated \$480,000.

Darius International, Inc., and Caribbean Pacific Natural Products, Inc., contributed combined revenues of \$2,333,302 and \$3,752,599 for the three and six months periods ended June 30, 2001 with zero in the comparable 2000 periods. Darius International commenced shipments to customers during the third quarter of 2000 and the Company acquired a 60% ownership in Caribbean Pacific Natural Products, Inc., effective July 1, 2000.

Recent national marketing data indicates an improvement in purchasing of the Cold-Eeze(R) product by the consumer. Additionally, there are indications that previous overstocking by customers has been considerably reduced through June 30, 2001.

Cold-Eeze(R) now has more visibility as the original clinically proven zinc product on the market, effective in reducing the severity and duration of symptoms of the common cold due to many zinc products exiting the marketplace during 2000 and 2001. The Company continues to strongly support Cold-Eeze(R) as the original clinically proven zinc product on the market, effective in reducing the severity and duration of symptoms of the common cold, and also to counteract media efforts to discredit its effectiveness.

During 1998 and continuing until the end of the first quarter of 2000, the Company invested substantially in the radio and television media in order to inform the consumer as to the benefits of using Cold-Eeze(R) and also to counteract any misconceptions present in the marketplace relating to the product's effectiveness in treating the symptoms of the common cold. This investment was further necessary to establish brand awareness for Cold-Eeze(R) and also to promote new product introductions of Cold-Eeze(R) sugar free, Cold-Eeze(R) bubble gum and Bodymate(TM).

The advertising cost approximated \$1.2 million for the six months ended June 30, 2001 as compared with approximately \$6.6 million for the comparable period in 2000, substantially contributing to the loss of (\$5,575,728) for the six months ended June 30, 2000. The loss for the six months periods ended June 30, 2001 and 2000 are not tax effected for the potential benefit, which cannot be reflected until the Company returns to profitability.

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

The Company currently uses three separate suppliers to produce Cold-Eeze(R) in lozenge, bubble gum, and sugar free tablet form. Other products of the Company and its subsidiaries are manufactured by third parties that produce a variety of other products for other customers. Should these relationships terminate or discontinue for any reason, the Company has formulated a contingency plan in order to prevent such discontinuance from materially affecting the Company's operations. Any such

termination may, however, result in a temporary delay in production until the replacement facility is able to meet the Company's production requirements.

Raw material used in the production of certain products are available from numerous sources. Currently, certain materials are being procured from a single source vendor in order to secure purchasing economies. In a situation where one

vendor is not able to supply the contract manufacturer with the ingredients, other sources have been identified. All manufacturing sites have the capacity to respond quickly to market requirements.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

TIME-BASED AND VOLUME-BASED SALES INCENTIVE OFFERS

In March 2001, the Emerging Issues Task Force reached a final consensus on Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future" that addresses, among other issues, the accounting requirements of a vendor for an offer to a customer to rebate or refund a specified amount of cash that is redeemable only if the customer completes a specified cumulative level of revenue transactions or remains a customer for a specified period of time. This Issue was effective for quarters ending after February 15, 2001. The adoption of this Issue did not have any impact on the Company's financial position or results of operations.

SFAS 141

In July 2001, the Financial Accounting Standards Board issued SFAS 141, BUSINESS COMBINATIONS, which is required for all business combinations initiated after June 30, 2001. The standard eliminates the use of the pooling-of-interest method and improves the accounting and reporting for business combinations. The Company does not expect that the new standard will have a material effect on the results of operations or cash flows.

SFAS 142

Also in July 2001, the FASB issued SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS. This standard requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. This change is expected to provide investors with greater information regarding the economic value of goodwill and its impact on earnings. The Company will be required to adopt this standard in fiscal 2003, however early adoption in fiscal 2002 will be permitted. The Company has not yet determined the impact to its financial statements of adoption of this standard.

RESULTS OF OPERATIONS

Three months ended June 30, 2001 compared to three months ended June 30, 2000

For the three months ended June 30, 2001, the Company reported revenues of \$4,613,715 and a net loss of (\$680,443) as compared to revenues of \$820,149 and a net loss of (\$1,652,290), for the comparable period ended June 30, 2000. Revenues for the 2001 period includes an amount of \$1,273,864 in the settlement of a lawsuit following the filing by the Quigley Corporation of a patent infringement suit against Gel Tech, LLC, the developer of Zicam(TM), and Gum Tech International, Inc., its distributor, in November 1999. Under the agreement, Gum Tech will pay The Quigley Corporation \$1,137,500 for a limited license for Quigley's patent on the use of zinc gluconate for the treatment of the duration and symptoms of the common cold. Gum Tech is also required to pay The Quigley Corporation an ongoing royalty of 5.5 percent from April 1, 2001 through March 5, 2002 on all Zicam cold relief sales. In addition, Gum Tech has guaranteed to pay Quigley a minimum of \$500,000 in ongoing royalties regardless of sales through March 5, 2002.

Sales of Cold-Eeze(R) during the second quarter of 2001 were lower than the same period of 2000 principally due to the unpredictable nature of second quarter demand as the cold season comes to a conclusion. Recent national marketing data indicates an improvement in purchasing of the Cold-Eeze(R) product by the consumer.

As a result of the acquisition of a 60% position in Caribbean Pacific Natural Products, Inc., effective July 1, 2000 and the commencement of product shipments from Darius International, Inc., in July 2000, these two entities contributed \$2,333,302 to revenues for the second quarter ended June 30, 2001, compared to zero in the comparable 2000 period.

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Cost of Sales as a percentage of sales before co-operative advertising promotions for the three months ended June 30, 2001 was 51.2% compared to 31.5% for the comparable period ended June 30, 2000. The increase in the cost of sales percentage in 2001 is as a result of the significantly higher cost of sales associated with the Darius segment of the business. During the second quarter of 2001, Darius sales contributed 46.9% to consolidated sales.

For the three months ended June 30, 2001, total operating expenses were \$3,752,746 compared to \$2,221,041 for the comparable period ended June 30, 2000. The increased expenditure in 2001 reflects the costs associated with Caribbean Pacific Natural Products and Darius International, totaling \$1,411,624. Additionally, legal and other expenses associated with the Gum Tech, LLC lawsuit in the three month period were \$465,000.

The advertising cost approximated \$140,000 for the three months ended June 30, 2001 as compared with approximately \$600,000 for the comparable period in 2000.

During the three months ended June 30, 2001, the major operating expenses of delivery, salaries, brokerage commissions, promotion, advertising, and legal costs accounted for \$2,422,836 (65%) of total operating costs. The remaining items for this period were of a semi-fixed nature in that they do not strictly follow sales trends. These expense categories for the comparable period in 2000 accounted for \$1,159,399 (52%) of total operating costs.

Six months ended June 30, 2001 compared to six months ended June 30, 2000

For the six months ended June 30, 2001, the Company reported revenues of \$9,417,589 and a net loss of (\$1,083,352) as compared to revenues of \$6,227,035 and a net loss of (\$5,575,728), for the comparable period ended June 30, 2000. The periods reflect a reduction in Cold-Eeze(R) sales in the six months ended

June 30, 2001, however recent national marketing data indicates an improvement in purchasing of the Cold-Eeze(R) product by the consumer. Additionally, there are signs that previous overstocking by customers has been considerably reduced through June 30, 2001.

Revenues for the first six months of 2001 include an amount of \$1,273,864 in the settlement of a lawsuit following the filing by the Quigley Corporation of a patent infringement suit against Gel Tech, LLC, the developer of Zicam(TM), and Gum Tech International, Inc., its distributor, in November 1999. Under the agreement, Gum Tech will pay The Quigley Corporation \$1,137,500 for a limited license for Quigley's patent on the use of zinc gluconate for the treatment of the duration and symptoms of the common cold. Gum Tech is also required to pay The Quigley Corporation an ongoing royalty of 5.5 percent from April 1, 2001 through March 5, 2002 on all Zicam cold relief sales. In addition, Gum Tech has guaranteed to pay Quigley a minimum of \$500,000 in ongoing royalties regardless of sales through March 5, 2002.

As a result of the acquisition of a 60% position in Caribbean Pacific Natural Products, Inc., effective July 1, 2000 and the commencement of product shipments from Darius International, Inc., in July 2000, these two entities contributed \$3,752,599 to revenues for the six months ended June 30, 2001, compared to zero in the comparable 2000 period.

Cost of Sales as a percentage of sales before co-operative advertising promotions for the six months ended June 30, 2001 was 41.0% compared to 33.9% for the comparable period ended June 30, 2000. The increase in the cost of sales percentage in 2001 is as a result of the significantly higher cost of sale associated with the Darius segment of the business. During the six months period ended June 30, 2001 Darius sales contributed 27.5% to consolidated sales.

For the six months ended June 30, 2001, total operating expenses were \$7,326,890 compared to \$9,451,596 for the comparable period ended June 30, 2000. The increased expenditure in 2001 reflects the costs associated with Caribbean Pacific Natural Products and Darius International, totaling \$2,376,858. Additionally, legal and other expenses associated with the Gum Tech, LLC lawsuit in the six months period ended June 30, 2001 were approximately \$480,000.

The advertising cost approximated \$1,200,000 for the six months ended June 30, 2001 as compared with approximately \$6.6 million for the comparable period in 2000, substantially contributing to the loss of (\$5,575,728) for the six months ended June 30, 2000.

During the six months ended June 30, 2001, the major operating expenses of delivery, salaries, brokerage commissions, promotion, advertising, and legal costs accounted for \$4,688,378 (64%) of total operating costs. The remaining items for this period were of a semi-fixed nature in that they do not strictly follow sales trends. These expense categories for the comparable period in 2000 accounted for \$7,249,191 (77%) of total operating costs.

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LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company at June 30, 2001 and December 31, 2000 were \$22,959,941 and \$26,055,601, respectively. Working capital decreased to \$17,172,682 from \$18,622,127 during the period. The significant movement within total assets represents the reduction in accounts receivable of \$2,702,816, cash and cash equivalents decreased by \$2,670,672, prepaid expenses and other current assets increased by \$1,550,481, inventory increased by \$419,385. From a working capital perspective, accounts payable decreased by \$447,468 and accrued royalties and sales commissions decreased over the period by \$454,703 while the advertising accrual decreased by \$1,324,610. Total cash balances at June 30, 2001 were \$8,695,171, as compared to \$11,365,843 at December 31, 2000.

The Company believes that its increased marketing efforts and national publicity concerning the Cold-Eeze(R) products, the Company's manufacturing availability, newly available products, further growth in international sales together with its current working capital should provide an internal source of capital to fund the Company's business operations. In addition to anticipated funding from operations, the Company may raise capital through the issuance of equity securities to finance anticipated growth.

Notwithstanding current period negative cash flows from operations, management believes amounts of cash on hand as well as those current assets readily convertible to cash will provide adequate liquidity to support future 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.

CAPITAL EXPENDITURES

Since the Company's and its subsidiary's products of Darius International, Inc., and Caribbean Pacific Natural Products, Inc., are manufactured for the Company by outside sources, capital expenditures during the remainder of 2001 are not anticipated to be material.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SETTLED LITIGATION

The Quigley Corporation filed a patent infringement suit against Gel Tech, LLC, the developer of Zicam(TM), and Gum Tech International, Inc., its distributor, in November 1999. Subsequent motions by the defendants to dismiss Quigley's lawsuit were denied by the court.

The suit was tried in the United States District Court for the Eastern District

of Pennsylvania. On June 6, 2001, the Company agreed to a minimum settlement in excess of \$1.6 million in its patent infringement suit against Gel Tech, LLC and Gum Tech International, Inc.

Under the agreement, Gum Tech will pay The Quigley Corporation \$1,137,500 for a limited license for Quigley's patent on the use of zinc gluconate for the treatment of the duration and symptoms of the common cold. Gum Tech is also required to pay The Quigley Corporation an ongoing royalty of 5.5 percent from April 1, 2001 through March 5, 2002 on all Zicam cold relief sales. In addition, Gum Tech has guaranteed to pay Quigley a minimum of \$500,000 in ongoing royalties regardless of sales through March 5, 2002.

To ensure compliance with the settlement terms, The United States District Court for the Eastern District of Pennsylvania will retain jurisdiction for any disputes arising from a violation of the agreement and order.

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ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of the Company was held on May 4, 2001 with 10,675,153 shares eligible to vote. The presence of a quorum was reached and the following proposals were approved by the stockholders:

- (i) To elect a Board of Directors to serve for the ensuing year until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified.
- (ii) To increase the total stock subject to the 1997 Stock Option Plan.
- (iii) To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2001.

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For proposals (i), (ii), and (iii) above, the votes were cast as follows:

Proposal	Position	For	Against	Witheld	Abstentions

(i) By nominee:					
Guy J. Quigley	Chairman of the Board, President, CEO	8,940,341	-	408,832	-
Charles A. Phillips	Executive Vice President, COO and Director	8,962,341	-	386,832	-
George J. Longo	Vice President, CFO and Director	8,962,341	-	386,832	-
Eric H. Kaytes	Vice President, CIO and Director	8,962,341	-	386,832	-
Jacqueline F. Lewis	Director	8,962,141	-	387,032	-
Rounsevelle W. Schaum	Director	8,962,141	-	387,032	-

(ii)		4,971,112	638,392	-	209,566

(iii)		9,295,401	27,019	-	26,753

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed during the quarter ended June 30, 2001.

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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: August 6, 2001

