



# UNITED-GUARDIAN, INC.

Corporate Divisions and Subsidiaries  
GUARDIAN LABORATORIES  
EASTERN CHEMICAL

Corporate Headquarters:  
230 MARCUS BLVD.  
HAUPPAUGE, NY 11788

Mailing Address:  
P.O. BOX 18050  
HAUPPAUGE, NY 11788

TEL: (631) 273-0900  
FAX: (631) 273-0858  
E-MAIL: [pgc@u-g.com](mailto:pgc@u-g.com)

## **First Quarter 2007 Report to Stockholders**

June 30, 2007

Dear Stockholder:

I am very pleased to report that sales and earnings for the first quarter of 2007 were the highest for any quarter in the company's history. Sales were up 48% and earnings up 87% over last year's first quarter. These numbers far exceeded the previous highs that had been reached in the first quarter of 2005. Sales for the quarter were \$4,227,426 compared with \$2,864,797 for the first quarter of 2006, and earnings were \$1,160,045 (\$0.23 per share) compared with \$621,985 (\$0.13 per share) for the first quarter of 2006.

There were a number of reasons for the unusually strong first quarter numbers. Approximately half of the increase was attributable to additional sales that resulted from a price increase on our pharmaceutical products that went into effect in March. Whenever a price increase is announced we always see extra buying take place to avoid the higher price, and it was no different this year. As a result, we expect to see lower than normal monthly sales of our pharmaceutical products over the next few months until the additional inventory is worked off by the customers.

The balance of the increase in sales was the result of increased shipments of our cosmetic and medical products, primarily our Lubrajel® family of water-based moisturizing and lubricating gels. Sales of Lubrajel products for cosmetic use increased approximately 40% over the same period last year, and sales of our medical lubricants increased approximately 42% over last year. It is too early to tell how much of this increase is the result of the timing of inventory orders and how much represents a tangible increase in sales.

In April we introduced our marketing partners to our newest product, Lubrasil II SB, which is a microemulsion of 20% silicone in a Lubrajel base. It is an excellent moisturizing ingredient with a silky skin feel. The initial feedback from our partners was very positive, and we have now provided all of them with samples and literature for their customers. It usually takes at least 6-12 months before the product begins to find its way into new formulations. We are also working with our partners to make sure that the product is as compatible as possible with other raw materials.

Another new area of research for us is the development of new polymers for skin care ingredients. Our first effort in this area, which was the development of a polymer with anti-microbial properties, has not yet yielded reproducible results, but we are nevertheless continuing our research efforts in this area. In addition, we are working on developing other polymers with new and unique properties. Our efforts in this area have begun just recently, and I will report further as this project continues.

In the industrial area we are continuing to work with Howard Industries, and Ohio-based company that specializes in custom chemical processing, to develop new markets and uses for some of our disinfecting products, including Cloroxine™, our chlorine-based antimicrobial. They are continuing to work with the food industry on an agricultural use that holds a lot of promise. They did some initial testing and are now awaiting a more extensive field test, which is taking longer than expected. The results of that test will give us a much better idea of the market potential for this product, at least for this specific use. We have already developed two forms of the product for them, one of them a new gel form that could make the product easier to use and more effective. We are also working with them to develop other disinfecting products with other potential uses, which we hope they will assist us to further develop and market as well.

At our Board of Directors meeting in May it was decided to declare a semi-annual cash dividend of \$0.27 per share, which was paid on June 15, 2007 to all stockholders of record as of the close of business on June 1, 2007. This is the 12th consecutive year that the company has declared a dividend, and represents a 23% increase over the most recent dividend of \$0.22 per share that was declared in December, 2006. Since we intend for this mid-year dividend to become a recurring event, we have decided to refer to it as a “semi-annual” dividend instead of a “special dividend”, and expect to do the same for the end-of-year dividend that we have been declaring in December. We are confident that our continuing success will enable us to maintain, and hopefully increase, the amounts that we pay out to our shareholders each year to reward the faith that our stockholders have placed in us. We believe that based on our current income levels, continuing to pay these dividends will not adversely affect our ability to fund any capital needs that may arise from time to time.

We are continuing to work with a marketing consultant who is assisting us in finding new markets for our products, particularly some of our medical products. We had expected to have some tangible results by now, but our consultant has been finding that while she had made some excellent initial contacts, progressing to the next level has been very difficult. That is what she is focusing on now. We intend to continue working with her as long as she feels that she can make progress. When she has reached the point where she feels she has done all she can, then we will take it from there.

Clearly we have had an excellent start to fiscal 2007. We also know that as a result of the unusually large inventory purchases made by our pharmaceutical customers in the first quarter, the second quarter is not going to be as strong as the first, with sales expected to be very close to last year's second quarter sales, but nevertheless continuing our very strong profitability. We intend to continue our efforts to develop unique and innovative products for the personal care market, to continue to develop new disinfecting products for the industrial markets, and to expand our efforts to find new customers for some of our medical products. With all of those efforts in place we are confident that this will be another strong year for us.

Sincerely,

UNITED-GUARDIAN, INC.

A handwritten signature in black ink that reads "Ken Globus". The signature is written in a cursive, slightly slanted style.

Ken Globus  
President

**RESULTS FOR THE FIRST QUARTER ENDED  
MARCH 31, 2007 and MARCH 31, 2006**

	3 Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Revenue:	\$ 4,227,426	\$ 2,864,797
Costs and expenses:	2,543,232	1,993,735
Income from operations:	1,684,194	871,062
Other income:	125,351	80,423
Income before income taxes:	1,809,545	951,485
Provision for income taxes:	649,500	329,500
Net income:	\$ 1,160,045	\$ 621,985
Earnings per share (Basic and Diluted):	\$ .23	\$ .13

**NOTE:** More detailed financial information can be found in the company's SEC filings on the company's web site at :

[http://www.u-g.com/corporate/SEC\\_Filings.html](http://www.u-g.com/corporate/SEC_Filings.html)