UNITED-GUARDIAN, INC.

Corporate Divisions
GUARDIAN LABORATORIES

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Second Quarter 2010 Report to Stockholders

August 31, 2010

Dear Stockholder:

The first half of 2010 was particularly noteworthy in that we attained the highest sales level ever recorded by the company for the first six months of any year, as well as the highest second quarter sales. Even more noteworthy is the fact that had it not been for a one-time pension expense of $.12 per share, which resulted from the discontinuation of the company's defined benefit pension plan, the company would have earned $.25 for the second quarter and $.46 for the first six months of the year. Both would have been record earnings levels for the company, and significant increases over the same periods last year.

The one-time pension expense was the culmination of a process that began over two years ago when we took the initial steps to terminate our defined benefit pension plan. Like many other companies, we came to the conclusion that continuing this plan was becoming too expensive and was no longer in the best interests of the company or its stockholders. As a result, we froze our defined benefit plan at the end of 2007, and in May 2008 formally began the termination process. The goal was to terminate the defined benefit plan and, in its place, to enhance our existing 401(k) plan. We did this by increasing the company's matching contributions and by providing for additional discretionary contributions that the company could make to the plan from time to time as the Board of Directors deemed appropriate based on the company's earnings for the year.

It took several months for Principal Financial Group, our plan administrator, to prepare and file the documents needed to initiate the termination process, and another 18 months or so to finally receive approval to terminate the plan. Unfortunately, the timing of the approval coincided with some of the lowest interest rates in recent memory, which caused the termination costs to be much greater than had been initially projected by Principal. The result was the one-time $.12 per share charge to earnings that we had to take in the second quarter.

While it was disappointing to incur this expense at a time when we otherwise would have posted record earnings for both the quarter and the six months, the good news is that we are now out from under the burdensome costs of that plan, and the company will no longer be exposed to potential expenses resulting from market fluctuations of the pension plan assets. In addition, the company is no longer responsible for managing the employee accounts and the fiduciary burden that goes with that responsibility.

Had it not been for this one-time expense, we would have experienced a 60% increase in earnings for the second quarter of 2010 vs. the second quarter of 2009, and an 18% increase in earnings for the first six months of this year vs. 2009. We were also very pleased with our

revenue for the period, which reached a record $3.7 million for the second quarter, which was a 25% increase over last year's second quarter, and a record $7.3 million for the first six months of 2010, a 6% increase over the very strong sales of that same period in 2009.

The primary reason for the record sales (and what would have been record earnings) was a substantial increase in domestic and foreign sales of our personal care products. Sales of those products for the first six months of the year were up almost 25% over last year, with some of that the result of increases in U.S. sales, but most of it from foreign sales. Our foreign marketing partners have indicated to us that they have begun to see greater activity in their markets as their economies have started to improve. We are hopeful that this trend will continue, despite indications that some sectors of the U.S. economy are still struggling.

We are continuing to work on a number of new product ideas that were discussed during the annual meeting with our global marketing partners in April. While there is no guarantee that we will be successful in implementing these new ideas, we have always prided ourselves on only bringing to market products that we felt were unique in the marketplace, and we expect to continue using that criteria as we work on these new products.

In addition, we have been actively sampling our marketing partners with the products we developed over the past year or so, in particular our new natural emulsifier. That product is now being sampled to customers by our marketing partners, and we are hopeful that customers will see the potential that we see. If so, we intend to protect this technology with patent applications both in the U.S. and in Europe.

We are also working with some new customers for our medical lubricants. That sector of our business continues to grow, and is a part of our business on which we expect to put more emphasis in the coming years.

Meanwhile, sales of our core products continue to grow, and ISP, our largest marketing partner, is in the process of expanding the marketing of our products with new brochures and marketing materials. With this renewed marketing effort we expect sales to ISP to continue to increase. Their sales of our products were up approximately 15% for the first six months of this year, and have continued to be very strong through July and August as well.

It has been a very exciting year for us so far, with sales far exceeding our initial expectations. Although the recovery of the U.S. economy seems to be taking longer than most experts had predicted, we continue to be pleasantly surprised at how strong our sales have been when so many other companies are continuing to struggle. Much of this is the result of the strength of the continuing global sales efforts we are making jointly with our marketing partners. With very strong sales for the first two months of the third quarter, we are very pleased with the way the year is progressing, and we are optimistic that this will continue for the remainder of the year as the marketing of our products continues to expand both here and abroad.

Sincerely,

UNITED-GUARDIAN, INC.

Ken Globus
President

RESULTS FOR THE SECOND QUARTER ENDED
JUNE 30, 2010 and JUNE 30, 2009

STATEMENTS OF INCOME

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
Net sales	$ 7,311,467	$ 6,888,287	$ 3,734,552	$ 2,993,144
Costs and expenses:				
Cost of sales	2,811,946	2,819,916	1,397,379	1,273,597
Operating expenses	1,326,629	1,397,382	708,580	687,397
Pension plan termination	847,744	---	847,744	---
	4,986,319	4,217,298	2,953,703	1,960,994
Income from operations	2,325,148	2,670,989	780,849	1,032,150
Other income:				
Investment income	225,146	185,083	132,876	93,481
Income from operations before income taxes	2,550,294	2,856,072	913,725	1,125,631
Provision for income taxes	829,926	945,400	289,201	370,200
Net Income	$ 1,720,368	$ 1,910,672	$ 624,524	$ 755,431
Earnings per common share (Basic and Diluted)	$ 0.35	$ 0.39	$ 0.13	$ 0.15
Weighted average shares – basic and diluted	4,882,627	4,946,439	4,819,516	4,946,439

BALANCE SHEETS

ASSETS	JUNE 30, 2010	DECEMBER 31, 2009
Current assets	$ 12,965,365	$ 17,656,565
Property, plant and equipment, net	1,066,143	946,711
Other assets	137,473	113,016
TOTAL ASSETS	$ **14,168,981**	$ 18,716,292
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 1,638,785	$ 2,920,674
Deferred income taxes	18,251	138,007
Total stockholders' equity	12,511,945	15,657,611
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ **14,168,981**	$ **18,716,292**

PLEASE NOTE:

1. Some of the financial information contained herein is condensed from the company's complete financial statements, which have been filed with the United States Securities and Exchange Commission. These documents, which contain more detailed financial information, can be found on the company's web site at http://www.u-g.com/corporate/SEC_Filings.html

2. This document contains both historical and "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements about the company's expectations or beliefs concerning future events, such as financial performance, business prospects, and similar matters, are being made in reliance upon the "safe harbor" provisions of that Act. Such statements are subject to a variety of factors that could cause our actual results or performance to differ materially from the anticipated results or performance expressed or implied by such forward-looking statements. For further information about the risks and uncertainties that may affect the company's business please refer to the company's reports and filings with the Securities and Exchange Commission.