



UNITED-GUARDIAN, INC.

Corporate Divisions and Subsidiaries
GUARDIAN LABORATORIES
EASTERN CHEMICAL

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INTERIM REPORT (FOURTH QUARTER, 2006)

February 23, 2007

Dear Stockholder:

As we have been doing for the past few years, we are issuing this Interim Report to update our stockholders on events that have taken place since our last stockholders report, which was for the third quarter of 2006. This is intended to be just a brief update, since the Annual Report will be issued in less than two months, and I will go into more detail at that time on all of our current projects.

Since our yearly audit will not be completed until mid-March, I will not be able to comment in detail on any of the year-end results. I can report, however, that sales for the fourth quarter of 2006 were very strong, and we anticipate that our sales and earnings for FY-2006 will be equal to or better than FY-2005. We also had a very strong start to 2007, with January sales exceeding \$1 million, and February sales expected to be at least \$1.2 million. It is certainly a nice way to start the new year.

Even though our marketing partners have indicated that it was not a particularly strong year for the personal care industry, we have managed to continue to grow our personal care product line, and are hopeful that two new additions to our Lubrajel® line of water-based moisturizing gels will enable us to continue to expand our market share in this product category. During 2006 the first of these two new products, "Lubrasil II DM", was introduced, and was very well received. We expect to launch the second product, "Lubrasil II SB", very shortly. Both products are microemulsions of silicone in Lubrajel. Unlike the original Lubrasil, which contained 1% silicone, the new products contain 20%, making them not only easier to formulate with but more economical as well. While it is still too early to expect any sizeable orders for the new products, we are optimistic that these two new products will enable us to continue to expand our customer base.

We are in the process of entering into a supply agreement with Howard Industries, an Ohio-based company specializing in custom chemical processing. We have been working with them for over a year on potential new uses for Clorone™, our chlorine-based antimicrobial product. I will elaborate further on the projects on which they are working, and our relationship with them, in the Annual Report. For now, suffice it to say that they are very

excited about some of the new uses they have found for the product, and are confident that they will be able to open up more than one new market for this product line, which until now has not had seen significant sales. We expect them to begin purchasing commercial quantities of product by the third quarter of this year.

In past letters I have mentioned that we have been working on the development of a new polymeric thickener. Although the initial results had been very promising, to date we have not been able to duplicate those initial results. We are still actively pursuing this project, and are still hopeful that we will be able to successfully reproduce those initial results, but even if we are successful we do not expect to see any revenue from this product in the near future. For that reason I will not be providing further updates on this project unless and until we see some progress on those developmental efforts.

We have begun working with our new marketing consultant, who is in the process of contacting numerous potential customers to see if she can increase our customer base even further, especially for the medical uses of our products. I should be able to report on her efforts in detail by the time we are ready to put out the Annual Report.

While I have always been actively involved in the preparation of our stockholders letters, this is the first letter that is going out under my name. As many of you already know from our December press release, over the past few years Alfred Globus, Chief Executive Officer of the company for 65 years, has been taking a less active role in the day to day operations of the company in order to focus more on his role as Director of Research. As a result, in December Dr. Globus decided to relinquish his executive duties to me and will no longer serve in an executive capacity. In turn, I have relinquished my role as Chief Financial Officer, a position which will now be assumed by Robert Rubinger, who is also currently the Executive Vice President and Secretary of the company. Dr. Globus will remain as Chairman of the Board and Director of Research, and we expect him to continue to play an active role in the expansion of our business and the development of new products.

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

NOTE: This stockholders letter 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.