UNITED-GUARDIAN, INC.

Corporate Divisions
GUARDIAN LABORATORIES

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

Third Quarter 2011 Report to Stockholders

December 13, 2011

Dear Stockholder:

I am pleased to report that once again we had a very profitable quarter, with net income for both the third quarter and the first nine months of the year reaching new highs. In fact, earnings per share for the first nine months of this year have already exceeded the earnings per share for all of 2010, rising from $0.62 for the first nine months of 2010 to $0.82 per share this year, an increase of 32%. For the third quarter, earnings per share increased from $0.27 to $0.30.

It should be noted that the comparison with last year's earnings is enhanced by the fact that last year we had the negative financial impact from the termination of our defined benefit pension plan, which reduced last year's earnings per share by about $0.12. This was a one-time event and there was nothing comparable this year to negatively impact earnings. As a result, we are on track to have our strongest year ever.

Our balance sheet continues to be outstanding, with our working capital increasing by over $2 million since the end of 2010, and our current ratio remaining a very strong 12 to 1. Our stockholders' equity is now $15.2 million, compared with $13 million at the end of 2010.

Although year-to-date sales were slightly lower than last year due to the supply problems we had in the beginning of this year with RENACIDIN® IRRIGATION, our most important pharmaceutical product, we were able to recover most of our lost profits through a financial settlement with our supplier. Those supply problems have now been resolved, and we are back in full production. Sales of RENACIDIN are still lagging last year's numbers, which we believe is a result of the product being off the market for so long. We are placing additional ads in various medical journals to ensure that all of our customers know that the product is available again, and are hopeful that our sales will eventually attain their previous levels.

We are also working with the company that manufactures RENACIDIN for us to develop a new smaller dosage size that we hope will generate additional sales by making the product easier for patients and caregivers to use. It will probably be at least 18-24 months before that product will ready for marketing, since there is development and stability work that will need to be done, and then regulatory approvals received, before it can be marketed. However, if we are successful in the development of this new dosage size we believe that such a product could generate significant additional revenue for the company.

Sales of our personal care and medical products have continued to grow as we continue to expand the sales of those products in places such as Eastern Europe, Russia, and China. Sales of our medical products alone increased 16% for the first nine months of this year compared with the same period in 2010. We are also working with our marketing partners to expand our personal care products into geographic areas that we believe have significant potential but in which we do not yet have significant sales, such as India, Eastern Europe, and Asia.

One of the ways we hope to accomplish this increase in personal care product sales is by continuing to expand our very successful Lubrajel® line of products, both for cosmetic and medical uses. We have been working closely for a couple of years with a European subsidiary of a global provider of medical devices, which is already a customer of ours, to develop a new product for them based on our Lubrajel technology. Just recently they informed us that they would be proceeding with the product. While it is too soon to know whether significant revenue will be generated by this customer, this is the type of joint development business relationship that we are trying to expand, and we are hopeful that this will further increase the growing sales of our medical products.

In regard to new products for cosmetic uses, our current development efforts are focused on expanding our Lubrajel product line with a new line of all-natural water-based moisturizing gels. Based on discussions with our marketing partners we believe that there is a significant market opportunity for us if we can successfully develop this new line of products. We have already developed some prototype products, and they are currently being evaluated by our largest marketing partner, Ashland Specialty Ingredients (formerly International Specialty Products). We hope to be able to introduce one or more of these new products by the third quarter of 2012.

We are also continuing to work with our marketing partners to continuously monitor the personal care product market with the goal of finding new opportunities for product development. While we are always working on our own to develop new products that we believe would be of interest to our customers, we are trying to work more closely with our marketing partners to fill needs that they may become aware of during their discussions with their customers.

I am also pleased to report that based on our strong sales and earnings this year, as well as the very strong financial condition of the company, the company's Board of Directors, at its meeting on December 7th, declared a $0.44 per share cash dividend to all stockholders of record as of December 16, 2011. The dividend will be paid on December 23, 2011. Based on the current stock price, our dividend yield is over 5%. This increases to $0.80 per share the dividends declared by the Board of Directors this year, which is a 27% increase over last year and a record for the company in any one year. This will be the 16th consecutive year that the company has paid a dividend. The management of the company and its Board members are happy to once again be able to share the company's success with its shareholders.

We are very pleased with the progress that we have made this year. At a time when the ailing global economy is still severely impacting the revenue and earnings of so many companies around the world, we have been able not only to maintain our sales and earnings levels but to increase them. We know already that this will be our most profitable year ever, and with new projects in the works we are optimistic that we can continue our growth in the coming years.

From all of us at United-Guardian I would like to wish all of our stockholders a happy and healthy holiday season and a very happy new year.

Sincerely,

UNITED-GUARDIAN, INC.

Ken Globus

Ken Globus

RESULTS FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011 and SEPTEMBER 30, 2010
(UNAUDITED UNLESS OTHERWISE INDICATED)

STATEMENTS OF INCOME

	THREE MONTHS ENDED SEPTEMBER 30, 2011	THREE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	NINE MONTHS ENDED SEPTEMBER 30, 2010
Net sales	$ 3,345,035	$ 3,848,393	$ 11,047,383	$ 11,159,860
Costs and expenses:				
Cost of sales	1,229,561	1,450,053	4,318,444	4,261,999
Operating expenses	537,248	598,809	1,759,177	1,925,438
Pension plan termination	---	---	---	847,744
Total costs and expenses	1,766,809	2,048,862	6,077,621	7,035,181
Income from operations	1,578,226	1,799,531	4,969,762	4,124,679
Other income:				
Investment income	61,308	65,954	205,211	291,100
Gain on sale of assets	12,267	---	18,251	---
Income from damage settlement	385,182	---	385,182	---
Total other income	458,757	65,954	608,644	291,100
Income before income taxes	2,036,983	1,865,485	5,578,406	4,415,779
Provision for income taxes	667,700	621,700	1,818,300	1,451,626
Net income	$ 1,369,283	$ 1,243,785	$ 3,760,106	$ 2,964,153
Earnings per common share (Basic and Diluted)	$ 0.30	$ 0.27	$ 0.82	$ 0.62
Weighted average shares (basic and diluted)	4,596,439	4,596,439	4,596,439	4,786,183

BALANCE SHEETS

ASSETS

	SEPTEMBER 30, 2011	DECEMBER 31, 2010 (Audited)
Current assets	$ 15,121,565	$ 12,790,235
Property, plant and equipment:	6,587,343	6,471,068
Less: Accumulated depreciation	5,313,771	5,261,908
Total property, plant and equipment, net	1,273,572	1,209,160
Other assets	47,090	75,344
TOTAL ASSETS	$ 16,442,227	$ 14,074,739

LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30, 2011	DECEMBER 31, 2010
Current liabilities:	$ 1,264,764	$ 1,024,240
Deferred income taxes	11,104	3,626
Stockholders' equity:		
Common stock $.10 par value; 10,000,000 shares authorized; 4,596,439 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	459,644	459,644
Accumulated other comprehensive income	20,933	6,835
Retained earnings	14,685,782	12,580,394
Total stockholders' equity	15,166,359	13,046,873
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 16,442,227	$ 14,074,739