



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

Second Quarter 2008 Report to Stockholders

September 9, 2008

Dear Stockholder:

Our second quarter of FY-2008 was another strong one, with sales increasing 7.3% over the same quarter last year. Earnings for the quarter were \$0.15 per share, which was equal to our earnings in last year's second quarter. The increased sales did not result in increased earnings this quarter because we experienced higher costs this year compared to last. In particular, substantial increases in the cost of some of our main raw materials, increases in transportation costs, and increases in energy-related costs all played a part in the overall increase in costs that we have experienced this year. We will continue our efforts to keep our costs in check as much as possible, and to try to recover as much of these increases as we can with reasonable price increases. However, as everyone knows, many of these increases are beyond our control, and it is not always possible to pass all of these costs along to our customers.

Sales for the six-month period ended June 30, 2008 declined from \$6,760,706 to \$6,002,238, with earnings down from \$0.38 per share to \$0.32 per share. The decrease in sales for the first six months of the year was primarily the result of two factors. First, there was a decline in pharmaceutical sales that resulted from our having implemented a 9% price increase on our pharmaceutical products in the first quarter of 2007, which resulted in customers purchasing unusually large volumes of product (approximately five times the normal volume) in February, 2007 in advance of the price increase. Although we implemented a price increase again in the first quarter of 2008, this time it was only 4%, and customers purchased only 50% more product than normal, a dramatic difference from last year. As a result, sales of our pharmaceutical products in the first quarter of 2008 were significantly lower than in the first quarter of 2007, and this impacted pharmaceutical sales for the six-month period as well. Despite this disparity we are still projecting that revenue this year from pharmaceutical sales should be equal to or slightly higher than last year.

The second factor was a reduction in sales of our personal care products. Based on feedback we have received from our marketing partners, we believe that this decline was due more to the buying patterns of our customers rather than any significant decline in the use of our personal care products. We are hopeful that by the end of the year we will see numbers very close to last year's numbers for sales of our personal care products.

We are continuing to work on several new products that we hope to begin marketing next year. Two of them are intended for the skin-care market, and the other the urological market. One of the skin-care products in particular is a very exciting one for us. It was developed to accelerate collagen production in the skin. We have just begun an in-house clinical test using a state-of-the-art piece of equipment that actually measures changes in collagen under the skin. The results of some initial testing we did a few months ago looked very promising, so we decided to proceed with a larger in-house clinical test. The study is expected to take about two months. If the results are what we anticipate, we expect to introduce the product to our marketing partners in early 2009.

The other skin-care product is a new emollient that will fit in well with our current line of skin moisturizers. This product is currently undergoing some modifications and then stability testing, and should be finished by the end of the year, with introduction anticipated to begin in the first quarter of next year.

The new urological product we are working on is intended to be a companion product to our line of catheter lubricants. It is still in a very early stage of development, and it is too soon to know whether the product will provide the benefit we are looking for. There are also regulatory issues that will need to be addressed before we can go forward. Unfortunately, I can't go into detail yet on the exact nature of the product due to its proprietary nature, but it is a product that will, if our development efforts are successful, add a significant benefit to our catheter lubricant line. I will report on this further as our development work continues.

We still intend to find a new marketing consultant to assist us in bringing some of our existing products to market, including some of our industrial products. The consultant we had been working with had to curtail her efforts for personal reasons. We hope to find a replacement in the near future.

Our work with Howard Industries on the use of our Cloronine as an agricultural disinfectant is continuing. They are still working with the EPA on their submission, so the project is on hold until they submit the data that the EPA has requested. I will provide an update as soon as that situation changes. They have indicated to me that they still believe in the project and plan to continue, but because of some key personnel changes at Howard the project has not proceeded as quickly as we or they had hoped.

Sales for the first two months of the third quarter were strong, which is unusual for the summer months when our sales in Europe typically slow down. As a result, we are expecting our third quarter to be another good one. Despite all of the economic problems going on in the country right now, and with so many companies having financial problems, we are very fortunate that we have been able to keep our business going strong. It looks like we are on track to have another very profitable year.

Sincerely,

UNITED-GUARDIAN, INC.



Ken Globus
President

RESULTS FOR THE SECOND QUARTER ENDED
JUNE 30, 2008 and JUNE 30, 2007

CONSOLIDATED STATEMENTS OF INCOME

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from continuing operations	\$ 6,002,238	\$6,760,706	\$ 2,971,039	\$ 2,770,056
Costs and expenses	<u>3,888,811</u>	<u>4,127,115</u>	<u>1,992,316</u>	<u>1,821,895</u>
Operating Income from continuing operations	2,113,427	2,633,591	978,723	948,161
Other income (expense)	<u>239,636</u>	<u>290,394</u>	<u>119,072</u>	<u>165,043</u>
Income from continuing operations before income taxes	2,353,063	2,923,985	1,097,795	1,113,204
Provision for income taxes	<u>777,500</u>	<u>1,039,600</u>	<u>361,500</u>	<u>389,639</u>
Income from continuing operations	1,575,563	1,884,385	736,295	723,565
Income from discontinued operations, net of income tax	---	<u>10,930</u>	---	<u>11,705</u>
Net Income	\$ <u>1,575,563</u>	\$ <u>1,895,315</u>	\$ <u>736,295</u>	\$ <u>735,270</u>
Earnings per common share (Basic and Diluted)	\$ <u>0.32</u>	\$ <u>0.38</u>	\$ <u>0.15</u>	\$ <u>0.15</u>

CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30, <u>2008</u> (UNAUDITED)	DECEMBER 31, <u>2007</u>
Current assets	\$ 14,724,568	\$ 15,758,545
Property, plant and equipment (less depreciation)	944,641	953,397
Other assets	<u>505,051</u>	<u>322,526</u>
Total assets	\$ <u>16,174,260</u>	\$ <u>17,034,468</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	JUNE 30, <u>2008</u> (UNAUDITED)	DECEMBER 31, <u>2007</u>
Current liabilities	\$ 1,343,984	\$ 2,357,853
Long-term liabilities	114,010	146,519
Stockholders' equity	<u>14,716,266</u>	<u>14,530,096</u>
Total liabilities and stockholders' equity	\$ <u>16,174,260</u>	\$ <u>17,034,468</u>

PLEASE NOTE:

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. Additional financial information can also be found at the company's web site at www.u-g.com.