



UNITED-GUARDIAN, INC.

Corporate Divisions
GUARDIAN LABORATORIES

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Third Quarter 2021 Report to Stockholders

December 7, 2021

Dear Stockholder:

With financial markets and corporate financial results continuing to fluctuate due to the steady stream of news related to the coronavirus, I am pleased to report that both our sales and net income remained strong in the third quarter, and sales continued to be strong into the fourth quarter as well. Third quarter sales increased by 36% from \$2,336,360 in 2020 to \$3,179,746 this year, resulting in a 42% increase in net income, which rose from \$717,532 (\$0.16 per share) in 2020 to \$1,016,506 (\$0.22 per share) this year. For the first nine months of the year, sales have increased by 19% from \$8,613,918 in 2020 to \$10,268,592 in 2021, and net income increased 31% from \$2,694,450 (\$0.59 per share) to \$3,542,232 (\$0.77 per share).

The primary reason for the strong sales and earnings in the third quarter was the significant increase in orders for our cosmetic ingredients, which had been considerably impacted in the third quarter of 2020 due to the coronavirus pandemic. Sales of these products started to rebound in the beginning of this year, and have continued their recovery as the year has progressed. As a result, sales of our cosmetic ingredients in the third quarter were up 187% compared with the same period in 2020. Much of this increase was the result of a significant increase in sales of our Lubrajel® line of water-based cosmetic ingredients into China by our largest marketing partner, Ashland Specialty Ingredients. Sales to all but one of our other global marketing partners increased as well. Based on the strong third quarter sales, our cosmetic ingredient sales increased by 51% for the first nine months of 2021 compared with the same period last year.

While our cosmetic ingredients continue to face significant competition from lower-priced Asian manufacturers, especially in Asian markets, we were very pleased with the significant increase in sales, and we plan to continue to work closely with Ashland to remain as competitive as possible with the lower-cost Asian producers. We believe that our reputation for producing high quality cosmetic ingredients, along with our long-standing relationships with many of the major cosmetic manufacturers, will enable sales of these products to continue to grow.

Although gross sales of our pharmaceutical products were down slightly for the quarter, that was not unexpected based on our decision at the end of 2020 to discontinue our participation in Medicaid, a joint federal and state program that assists people with limited income and resources with medical costs. While it was regrettable that we had to do this, it had reached a point where our participation in this program was costing us more than we were making on those sales. We had anticipated that this decision would result in about a 7.5% reduction in sales of Renacidin, but to date the decrease has been about 6%, and our net income from Renacidin sales has actually increased. We are continuing to promote Renacidin through both our dedicated Renacidin website and our Google advertising, and we are hopeful that we will continue to see growth in Renacidin in 2022.

In my last stockholder's letter I reviewed some of the R&D projects on which we are working, some of which should be coming to fruition early next year. I will provide an update on those projects in my annual report to stockholders early next year. In addition to those projects, we are currently working with two medical product companies on some new medical lubricants. If these development efforts are successful it could result in some additional new business for us in 2022. We intend to put more R&D efforts into the development of medical lubricants, since we have established a reputation in this sector and we believe that this will be a potential growth area for us in the future.

For those of you who have not visited our **u-g.com** web site in a while, we recently did a major refreshing of the site, and the feedback has been very positive. It now has a more modern look, is significantly easier to navigate, and we have some additional changes planned for the future. I hope everyone will check it out.

As a result of the strong third quarter sales and earnings, as well as our expectation that our fourth quarter sales will be strong as well, the company's Board of Directors, at its meeting on November 16th, declared a cash dividend of \$0.65 per share, which is being paid today, December 7th, to all stockholders of record on November 29, 2021. In taking this step the Board took into consideration the company's very strong financial position as well as any short-term capital requirements, and determined that not only was the company in an excellent position to pay a year-end dividend, but that it was appropriate to increase the amount of the dividend over what we paid earlier this year. This dividend represents an increase of 35% over the \$0.48 per share dividend the company paid in June, and an 81% increase over the \$0.36 per share dividend the company paid in December 2020. It is also the largest dividend the company has ever paid, and brings the total dividends paid this year to \$1.13, a new record for the company for regular dividends paid in any year. Once again we are pleased to be in a position to share the company's earnings with our stockholders.

While the future is still uncertain in regard to the ongoing impact of the coronavirus pandemic, I am optimistic that the situation will continue to gradually improve. We expect to continue to be impacted to some degree by the shipping delays and increased raw material prices that the pandemic has caused, but by working closely with our marketing partners and our direct customers we have been able to overcome many of the shipping issues that have plagued many other businesses. We have been successful in maintaining our raw material sources, and we don't expect raw material availability to be a significant issue for us, even though we do expect to see further price increases, at least in the short term.

Although the ups and downs of the stock market will continue as new coronavirus news comes out, the economy appears to be strong, and it is clear that everyone is very anxious to return to some semblance of normalcy. Because of that, I believe that demand for products like ours will continue to grow. Based on the strong sales for the first two months of the fourth quarter, I am confident that we will end the year on a very positive note, and I am optimistic that our introduction of some new products next year, along with our increased marketing efforts, will bring another strong year for us in 2022.

I hope everyone has a healthy and happy holiday season.

Sincerely,

UNITED-GUARDIAN, INC.



Ken Globus
President

STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net Sales	\$ <u>3,179,746</u>	\$ <u>2,336,360</u>	\$ <u>10,268,592</u>	\$ <u>8,613,918</u>
Costs and expenses:				
Cost of sales	1,320,509	974,763	4,180,912	3,634,528
Operating expenses	458,582	493,204	1,428,721	1,520,114
Research and development	<u>130,742</u>	<u>114,836</u>	<u>349,053</u>	<u>331,134</u>
Total costs and expenses	<u>1,909,833</u>	<u>1,582,803</u>	<u>5,958,686</u>	<u>5,485,776</u>
Income from operations	<u>1,269,913</u>	<u>753,557</u>	<u>4,309,906</u>	<u>3,128,142</u>
Other Income:				
Investment income	38,747	38,932	124,147	131,318
Net (loss) gain on marketable securities	<u>(25,108)</u>	<u>113,248</u>	<u>40,419</u>	<u>143,832</u>
Total other income	<u>13,639</u>	<u>152,180</u>	<u>164,566</u>	<u>275,150</u>
Income before provision for income taxes	1,283,552	905,737	4,474,472	3,403,292
Provision for income taxes	<u>267,046</u>	<u>188,205</u>	<u>932,240</u>	<u>708,842</u>
Net Income	\$ <u>1,016,506</u>	\$ <u>717,532</u>	\$ <u>3,542,232</u>	\$ <u>2,694,450</u>
Earnings per common share (Basic and Diluted)	\$ <u>0.22</u>	\$ <u>0.16</u>	\$ <u>0.77</u>	\$ <u>0.59</u>
Weighted average shares – basic and diluted	4,594,319	4,594,319	4,594,319	4,594,319

BALANCE SHEETS*
(condensed)

<u>ASSETS:</u>	SEPTEMBER 30, <u>2021</u> (UNAUDITED)	DECEMBER 31, <u>2020</u> (AUDITED)
Current assets	\$ 12,962,153	\$ 11,246,611
Property, plant, and equipment	7,494,082	7,433,920
Less: Accumulated depreciation	<u>6,830,549</u>	<u>6,760,255</u>
Net property, plant and equipment	<u>663,533</u>	<u>673,665</u>
TOTAL ASSETS	\$ <u>13,625,686</u>	\$ <u>11,920,276</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY:</u>	SEPTEMBER 30, <u>2021</u> (UNAUDITED)	DECEMBER 31, <u>2020</u> (AUDITED)
Current liabilities	\$ 1,707,217	\$ 1,414,285
Deferred income taxes (net)	227,203	151,684
Stockholders' equity	<u>11,691,266</u>	<u>10,354,307</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>13,625,686</u>	\$ <u>11,920,276</u>

* More detailed financial information can be found in the company's Form 10-Q for the third quarter of 2021, which can be found on the company's web site at www.u-g.com.