



# UNITED-GUARDIAN, INC.

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GUARDIAN LABORATORIES

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## Second Quarter 2021 Report to Stockholders

September 10, 2021

Dear Stockholder:

I am pleased to report that our second quarter was another strong one, with sales for the quarter increasing by 24%, and sales for the first six months of the year increasing by 13%, compared with the equivalent periods in 2020. Net income for the quarter was \$1,344,524 (\$0.29 per share) on sales of \$3,657,978, compared with net income of \$1,186,611 (\$0.26 per share) on sales of \$2,954,644 for the second quarter of 2020. For the six-month period ended June 30<sup>th</sup> net income increased from \$1,976,918 (\$0.43 per share) on sales of \$6,277,558, to \$2,525,726 (\$0.55 per share) on sales of \$7,088,846.

The primary reason for the large growth in sales in the second quarter was the significant increase in demand for our cosmetic ingredients, the sales of which had been negatively impacted by the coronavirus pandemic in 2020. Purchases of those products in this year's second quarter increased by 68% compared with the same quarter in 2020. For the first six months of 2021, sales of these products increased by 24% compared with the corresponding period in 2020. These increases were driven primarily by an increase in demand for our cosmetic ingredients in China and other foreign markets. Sales of our products in China had been impacted in 2020 due to the coronavirus pandemic, and it was not until the beginning of 2021 that we began to see that situation noticeably improve. Although we continue to face competition in Asia from lower-priced Asian manufacturers, we were still able to ship significant volumes of product intended for sale in China in the first half of this year. We are continuing to work closely with Ashland Specialty Ingredients, our marketing partner in China, to better compete in Asia with some of the lower-priced competitors.

Although sales of our pharmaceutical products decreased slightly in the first half of this year compared with the same period in 2020, this had been expected based on the decision we made at the end of 2020 to discontinue our participation in Medicaid programs. As I indicated in previous letters, due to the pricing structure of the Medicaid programs, and the significant rebates we had to pay to participate in those programs, it was no longer profitable for us to continue doing so. As a result, gross sales of Renacidin have decreased by about 4% so far this year, which was less than the 7.5% decrease we had anticipated. Even with the slightly lower Renacidin sales, our net income from Renacidin actually increased, since we no longer had the rebates to pay. We are continuing our efforts to promote Renacidin through our dedicated Renacidin website and our Google advertising, and we are hopeful that we will continue to see growth in Renacidin this year.

In regard to our medical products, sales for the second quarter decreased by 1%, while sales for the six-month period increased by 6%. Although we had lost one of our medical customers last year, increased sales to some of our other customers in China and India made up for the loss. We are currently working with two

companies on new projects for our medical lubricants, and are optimistic that medical uses will be a growth market for us in the future.

We are continuing our work on a number of R&D projects that are in different stages of completion. Here is an update on a few of those projects:

➤ **Lubrajel Oil Natural:** This “natural” version of our popular Lubrajel oil has been launched and we are awaiting feedback from customers. Azelis, our marketing partner in the United Kingdom, already has a customer that will be using the product in some of its scalp serum products. We are expecting feedback from our other marketing partners in the next few weeks.

➤ **Lubrajel Terra:** Azelis is also one of first of our marketing partners to start promoting this new form of Lubrajel that is sourced from soil-based materials. Azelis has developed a beard serum that it will promote to customers, and is in the process of completing a moisturization study for the new formulation. Our other marketing partners are also evaluating the product.

➤ **Lubrajel II XD PF** is a preservative-free version of our Lubrajel II XD. It has been launched by Ashland, and has already been qualified by some customers in the EMEA market. We are hopeful that this will translate into orders soon.

➤ **Moisture Lock Lubrajel** is a product still in the development stage that is intended to provide moisturization for 12-24 hours. We are finalizing our current prototypes, and will test those this winter for 12- and 24-hour hydration.

➤ **Oil/Wax Hydration** is another of our new “natural” products that is under development. This product is an anhydrous textured gel that can be added to the oil phase of a cosmetic formula. One of our marketing partners has already expressed interest in promoting this material in a rinse-off application when development is completed.

➤ **Lubrajel DV PF** and **Lubrajel MS PF:** both of these products were developed as preservative-free versions of their respective namesakes and are currently being presented to our marketing partners for their evaluations.

These are just a few of the many projects on which we are working. We are also continuing our stability studies on Clorpactin, with the hope that our project with SIGN Fracture Care International will come to fruition. The not-for-profit company is interested in using Clorpactin in hospitals around the world as a disinfecting agent during bone surgery. As a result of the pandemic, this project is moving much slower than they had originally anticipated. However, they tell us that it is still an ongoing project, and we are hopeful that our stability studies with Clorpactin will prove that it will be suitable for SIGN's intended use.

With the coronavirus situation changing every day, it is very difficult to predict what the future will bring. We are very pleased with our financial results to date, and we are confident that this will be another profitable year for us, regardless of what happens with the pandemic in the coming months. We plan to continue working closely with our marketing partners to remain as competitive as possible in the marketplace, and we are excited about the new medical lubricant projects. We are very much looking forward to next year, when hopefully things will get back to normal, both in our business and personal lives.

Sincerely,

UNITED-GUARDIAN, INC.



Ken Globus  
President

**FINANCIAL RESULTS FOR THE  
THREE AND SIX MONTHS ENDED  
JUNE 30, 2021 AND JUNE 30, 2020**

**STATEMENTS OF INCOME**

(unaudited)

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Net sales</b>	\$ <u>3,657,978</u>	\$ <u>2,954,644</u>	\$ <u>7,088,846</u>	\$ <u>6,277,558</u>
<b>Costs and expenses:</b>				
Cost of sales	1,499,390	1,270,434	2,860,403	2,659,765
Operating expenses	513,012	511,635	970,139	1,026,910
Research and development expense	<u>130,025</u>	<u>108,566</u>	<u>218,311</u>	<u>216,298</u>
<b>Total costs and expenses</b>	<u>2,142,427</u>	<u>1,890,635</u>	<u>4,048,853</u>	<u>3,902,973</u>
<b>Income from operations</b>	<u>1,515,551</u>	<u>1,064,009</u>	<u>3,039,993</u>	<u>2,374,585</u>
<b>Other income:</b>				
Investment income	45,640	48,319	85,400	92,386
Net gain on marketable securities	<u>137,574</u>	<u>387,179</u>	<u>65,527</u>	<u>30,584</u>
<b>Total other income</b>	<u>183,214</u>	<u>435,498</u>	<u>150,927</u>	<u>122,970</u>
<b>Income before provision for income taxes</b>	1,698,765	1,499,507	3,190,920	2,497,555
<b>Provision for income taxes</b>	<u>354,241</u>	<u>312,896</u>	<u>665,194</u>	<u>520,637</u>
<b>NET INCOME</b>	\$ <u>1,344,524</u>	\$ <u>1,186,611</u>	\$ <u>2,525,726</u>	\$ <u>1,976,918</u>
<b>Earnings per common share (basic and diluted)</b>	\$ <u>0.29</u>	\$ <u>0.26</u>	\$ <u>0.55</u>	\$ <u>0.43</u>
<b>Weighted average shares (basic and diluted)</b>	<u>4,594,319</u>	<u>4,594,319</u>	<u>4,594,319</u>	<u>4,594,319</u>

# **BALANCE SHEETS\***

(condensed)

	<b><u>JUNE 30,</u></b> <b><u>2021</u></b>	<b><u>DECEMBER 31,</u></b> <b><u>2020</u></b>
	(UNAUDITED)	(AUDITED)
<b><u>ASSETS:</u></b>		
Current assets	\$ 11,783,913	\$ 11,246,611
Property, plant, and equipment	7,472,678	7,433,920
Less: Accumulated depreciation	<u>6,830,280</u>	<u>6,760,255</u>
Net property, plant and equipment	<u>642,398</u>	<u>673,665</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>12,426,311</u></b>	<b>\$ <u>11,920,276</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS'</u></b> <b><u>EQUITY:</u></b>	<b><u>JUNE 30,</u></b> <b><u>2021</u></b>	<b><u>DECEMBER 31,</u></b> <b><u>2020</u></b>
	(UNAUDITED)	(AUDITED)
Current liabilities	\$ 1,450,413	\$ 1,414,285
Deferred income taxes (net)	301,138	151,684
Stockholders' equity	<u>10,674,760</u>	<u>10,354,307</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>12,426,311</u></b>	<b>\$ <u>11,920,276</u></b>

\* More detailed financial information can be found in the company's Form 10-Q for the second quarter of 2021, which can be found on the company's web site at [www.u-g.com](http://www.u-g.com).