

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

TRANSITION REPORT PURSUANT TO 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-10526

UNITED-GUARDIAN, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

11-1719724
(I.R.S. Employer Identification No.)

230 Marcus Boulevard, Hauppauge, New York 11788
(Address of Principal Executive Offices)

(631) 273-0900
(Registrant's Telephone Number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)
Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

4,596,439 shares of common stock, par value \$.10 per share
(as of August 1, 2015)

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Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

UNITED-GUARDIAN, INC.
STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net sales	\$ <u>4,124,091</u>	\$ <u>2,980,136</u>	\$ <u>8,496,484</u>	\$ <u>6,939,628</u>
Costs and expenses:				
Cost of sales	1,403,942	1,104,254	3,083,144	2,537,172
Operating expenses	<u>600,532</u>	<u>623,942</u>	<u>1,227,767</u>	<u>1,239,584</u>
Total costs and expenses	<u>2,004,474</u>	<u>1,728,196</u>	<u>4,310,911</u>	<u>3,776,756</u>
Income from operations	<u>2,119,617</u>	<u>1,251,940</u>	<u>4,185,573</u>	<u>3,162,872</u>
Other income:				
Investment income	72,894	53,933	126,348	87,752
Income from damage settlement	<u>---</u>	<u>---</u>	<u>---</u>	<u>24,402</u>
Total other income	<u>72,894</u>	<u>53,933</u>	<u>126,348</u>	<u>112,154</u>
Income before income taxes	2,192,511	1,305,873	4,311,921	3,275,026
Provision for income taxes	<u>682,000</u>	<u>404,600</u>	<u>1,340,900</u>	<u>1,038,000</u>
Net Income	\$ <u>1,510,511</u>	\$ <u>901,273</u>	\$ <u>2,971,021</u>	\$ <u>2,237,026</u>
Earnings per common share				
(Basic and Diluted)	\$ <u>0.33</u>	\$ <u>0.20</u>	\$ <u>0.65</u>	\$ <u>0.49</u>
Weighted average shares – basic and diluted	<u>4,596,439</u>	<u>4,596,439</u>	<u>4,596,439</u>	<u>4,596,439</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.
STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income	\$ <u>1,510,511</u>	\$ <u>901,273</u>	\$ <u>2,971,021</u>	\$ <u>2,237,026</u>
Other comprehensive income (loss):				
Unrealized (loss) gain on marketable securities during period	(142,358)	141,949	(43,488)	231,864
Income tax benefit (cost) related to other comprehensive income (loss)	<u>48,402</u>	<u>(49,256)</u>	<u>14,786</u>	<u>(80,538)</u>
Other comprehensive (loss) income, net of tax	<u>(93,956)</u>	<u>92,693</u>	<u>(28,702)</u>	<u>151,326</u>
Comprehensive income	\$ <u>1,416,555</u>	\$ <u>993,966</u>	\$ <u>2,942,319</u>	\$ <u>2,388,352</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.
BALANCE SHEETS

<u>ASSETS</u>	JUNE 30, 2015	DECEMBER 31, 2014
	(UNAUDITED)	(AUDITED)
Current assets:		
Cash and cash equivalents	\$ 1,859,046	\$ 2,023,383
Marketable securities	10,254,331	9,389,501
Accounts receivable, net of allowance for doubtful accounts of \$18,000 at June 30, 2015 and \$30,000 at December 31, 2014	2,044,292	1,593,260
Inventories (net)	1,142,765	1,237,154
Prepaid expenses and other current assets	192,643	165,691
Prepaid income taxes	21,994	30,643
Deferred income taxes	<u>223,439</u>	<u>223,439</u>
Total current assets	<u>15,738,510</u>	<u>14,663,071</u>
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	4,160,060	4,138,875
Building and improvements	<u>2,776,602</u>	<u>2,773,002</u>
Total property, plant and equipment	7,005,662	6,980,877
Less: Accumulated depreciation	<u>5,858,946</u>	<u>5,772,974</u>
Total property, plant and equipment, net	<u>1,146,716</u>	<u>1,207,903</u>
Other asset:	<u>70,692</u>	<u>68,042</u>
TOTAL ASSETS	\$ <u>16,955,918</u>	\$ <u>15,939,016</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>JUNE 30,</u> <u>2015</u>	<u>DECEMBER 31,</u> <u>2014</u>
	(UNAUDITED)	(AUDITED)
Current liabilities:		
Accounts payable	\$ 178,033	\$ 141,111
Accrued expenses	1,002,575	833,859
Income taxes payable	<u>181,950</u>	<u>---</u>
Total current liabilities	<u>1,362,558</u>	<u>974,970</u>
Deferred income taxes	<u>212,322</u>	<u>227,108</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; 4,596,439 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively.	459,644	459,644
Accumulated other comprehensive income	231,167	259,869
Retained earnings	<u>14,690,227</u>	<u>14,017,425</u>
Total stockholders' equity	<u>15,381,038</u>	<u>14,736,938</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>16,955,918</u>	\$ <u>15,939,016</u>

See Notes to Condensed Financial Statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED	
	June 30,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 2,971,021	\$ 2,237,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,972	91,878
Realized (gain) loss on sale of investments	(5,672)	15,603
Provision for bad debt	(12,326)	---
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(438,706)	540,121
Receivable from damage settlement	---	48,805
Inventories	94,389	(118,208)
Prepaid expenses and other current and non-current assets	(29,602)	(70,053)
Prepaid taxes	8,649	(205,536)
Accounts payable	36,922	(280,233)
Accrued expenses and taxes payable	<u>350,666</u>	<u>225,736</u>
Net cash provided by operating activities	<u>3,061,313</u>	<u>2,485,139</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(24,785)	(32,148)
Proceeds from sale of marketable securities	2,018,166	2,074,729
Purchases of marketable securities	<u>(2,920,812)</u>	<u>(2,075,583)</u>
Net cash used in investing activities	<u>(927,431)</u>	<u>(33,002)</u>
Cash flows from financing activities:		
Dividends paid	<u>(2,298,219)</u>	<u>(2,206,291)</u>
Net cash used in financing activities	<u>(2,298,219)</u>	<u>(2,206,291)</u>
Net (decrease) increase in cash and cash equivalents	(164,337)	245,846
Cash and cash equivalents at beginning of period	<u>2,023,383</u>	<u>1,634,262</u>
Cash and cash equivalents at end of period	\$ <u>1,859,046</u>	\$ <u>1,880,108</u>

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

1. Nature of Business

United-Guardian, Inc. (the "Company") is a Delaware corporation that, through its Guardian Laboratories Division, conducts research, product development, manufacturing and marketing of cosmetic ingredients and other personal care products, pharmaceuticals, medical and health care products and proprietary specialty industrial products.

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America for interim financial information, pursuant to the requirements for reporting on Form 10-Q and Regulation SX. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the three- and six-month periods ended June 30, 2015 (also referred to as the "second quarter of 2015" and the "first half of 2015", respectively) are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2015. The interim unaudited financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

3. Stock-Based Compensation

The Company does not have any stock-based compensation plans.

4. Recent Accounting Pronouncements

In April 2015, FASB issued ASU 2015-05, "Intangibles-Goodwill and other Internal Use Software: Customer's Accounting for Fees paid in Cloud Computing Arrangement." This standard gives clarification as to whether or not a cloud computing arrangement includes the sale or license of software and how to properly account for it. If the arrangement includes a software license then account for the agreement as an acquisition of software licenses. If not, then account for the arrangement as a service contract. The amendment is effective for annual periods beginning after December 15, 2015 and interim periods in annual periods beginning after December 15, 2016. Early adoption is permitted. The Company will adopt the amendment in January of 2016. This amendment is not expected to have a material impact on the Company's results of operations.

In May 2014, FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This standard applies to any entity that uses the guidance of GAAP for entering into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. It requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for the exchange of goods or services. This amendment is effective for interim and annual reporting periods beginning after

December 15, 2016. The Company is still evaluating the potential impact on the Company's results of operations.

In June 2014, FASB issued ASU 2014-11, "Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." This standard aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with accounting for other typical repurchase agreements. These types of transactions will now be accounted for as secured borrowings. It eliminates sales accounting for repurchase-to-maturity and supersedes guidance for accounting transactions involving transfers of financial assets with contemporaneous repurchase financing agreements that leads to off balance sheet accounting. This update became effective for interim and annual reporting periods beginning after December 15, 2014, and did not have a material impact on the Company's results of operations.

In August 2014, FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern: Disclosure of Uncertainties about Entity's Ability to Continue as a Going Concern." Currently, GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. This amendment now provides guidance by providing a definition of substantial doubt, requires evaluation by management every reporting period for going concern issues, provides principles for considering any mitigating effects implemented by management, and the disclosures required for the assessment period of one year after issuance of the financial statements. This update becomes effective for interim and annual reporting periods beginning after December 15, 2016 with early application being permitted. The update has been adopted for reporting periods starting January 2015, and is not expected to have a material impact on the Company's results of operations.

5. Investments

The fair values of the Company's marketable securities are determined in accordance with GAAP, with fair value being defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the three-tier value hierarchy, as prescribed by GAAP, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following available-for-sale securities, which comprise all the Company's marketable securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs, which are quoted prices (unadjusted) for identical assets in active markets:

<u>June 30, 2015</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>Available for sale:</u>			
Fixed income mutual funds	\$ 9,273,488	\$ 9,437,941	\$ 164,453
Equity and other mutual funds	<u>630,590</u>	<u>816,390</u>	<u>185,800</u>
	<u>\$ 9,904,078</u>	<u>\$ 10,254,331</u>	<u>\$ 350,253</u>
<u>December 31, 2014</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>Available for Sale:</u>			
Fixed income mutual funds	\$ 8,373,674	\$ 8,575,285	\$ 201,611
Equity and other mutual funds	<u>622,086</u>	<u>814,216</u>	<u>192,130</u>
	<u>\$ 8,995,760</u>	<u>\$ 9,389,501</u>	<u>\$ 393,741</u>

Proceeds from the sale and redemption of marketable securities amounted to \$2,018,166 for the first half of 2015, which included realized gains of \$5,672. Proceeds from the sale and redemption of marketable securities amounted to \$2,074,729 for the first half of 2014, which included realized losses of \$15,603.

Investment income consisted principally of unrealized and realized gains and losses and dividend income from bond funds, mutual funds, and money market funds.

Marketable securities include investments in fixed income and equity mutual funds and government securities which are classified as "available-for-sale" securities and are reported at their fair values. Unrealized gains and losses on "available-for-sale" securities are reported as accumulated other comprehensive income (loss) in stockholders' equity, net of the related tax effects. Investment income is recognized when earned. Realized gains and losses on sales of investments are determined on a specific identification basis.

6. Inventories

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Inventories consist of the following:		
Raw materials and work in process	\$ 501,257	\$ 395,092
Finished products	<u>641,508</u>	<u>842,062</u>
	<u>\$ 1,142,765</u>	<u>\$ 1,237,154</u>

Inventories are valued at the lower of cost or current market value. Cost is determined using the average cost method, which approximates cost determined by the first-in, first-out ("FIFO") method. Finished product inventories at June 30, 2015 and December 31, 2014 are stated net of a reserve of \$20,000 for slow-moving or obsolete inventory.

7. Supplemental Financial Statement Information

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash payments for taxes were \$1,150,000 and \$1,367,089 for the first half of 2015 and 2014, respectively. No payments were made for interest during these periods.

The Company paid \$2,298,219 (\$0.50 per share) and \$2,206,291 (\$0.48 per share) in dividends for the first half of 2015 and 2014, respectively.

Research and development expenses amounted to \$283,849 and \$275,324 for the first half of 2015 and 2014, respectively, and \$137,041 and \$128,356 for the second quarters of 2015 and 2014, respectively. These costs are included in "operating expenses".

8. Income Taxes

The Company's tax provision is based on its estimated annual effective rate. The Company continues to fully recognize its tax benefits, which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of June 30, 2015 and December 31, 2014, the Company did not have any unrecognized tax benefits.

The Company files consolidated Federal income tax returns in the U.S. with its inactive subsidiary, and separate income tax returns in New York State. The Company is subject to examination by the Internal Revenue Service and by the State of New York for years 2011 through 2014.

The Company's policy is to recognize interest and penalties as interest expense.

9. Comprehensive Income

Accumulated other comprehensive income comprises unrealized gains and losses on marketable securities net of the related tax effect.

<u>Changes in Accumulated Other Comprehensive Income</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Beginning balance – net of tax	\$ 259,869	\$ 132,123
Unrealized (loss)/gain on marketable securities before reclassifications - net of tax	(34,374)	166,929
Realized gain/(loss) on sale of securities reclassified from accumulated other comprehensive income	<u>5,672</u>	<u>(15,603)</u>
Ending balance - net of tax	\$ <u>231,167</u>	\$ <u>283,449</u>

10. Income from Damage Settlement

In May 2012 the Company's supplier of RENACIDIN® IRRIGATION ("RENACIDIN") curtailed production due to manufacturing issues. As a result of that curtailment, the Company and its supplier entered into a settlement agreement whereby the supplier reimbursed the Company for its lost profits during the curtailment period. The final payment to the Company in the amount of \$24,402 was made pursuant to that settlement agreement in the first quarter of 2014.

11. Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan ("DC Plan") that provides for a dollar-for-dollar employer matching contribution of the first 4% of each employee's pay that is deferred by the employee. Employees become fully vested in employer matching contributions after one year of employment. In addition, the Company has been accruing \$175,000 per year toward the payment of a discretionary 401(k) contribution that is apportioned among all employees using a "pay-to-pay" safe harbor formula in accordance with IRS regulations. For the three- and six-month periods ended June 30, 2015 and 2014, the Company had accrued for contributions of \$43,750 and \$87,500, respectively, to the DC Plan. For the first half of 2015 and 2014, the Company did not make any discretionary contributions to the DC Plan.

12. Related-Party Transactions

During the first half of 2015 and 2014, the Company paid to Bonamassa, Maietta and Cartelli, LLP \$8,000 and \$6,500, respectively, for accounting and tax services. Lawrence Maietta, a partner in Bonamassa, Maietta and Cartelli, LLP, is a director of the Company.

13. Other Information

Accrued Expenses

	June 30, <u>2015</u>	December 31, <u>2014</u>
Bonuses	\$ 431,859	\$ 225,000
401K plan contributions	87,500	---
Distribution fees	203,143	203,483
Payroll and related expenses	111,236	127,585
Annual report expenses	34,396	61,000
Audit fee	56,504	82,000
Sales rebates	---	96,000
Other	<u>77,937</u>	<u>38,791</u>
Total Accrued Expenses	<u>\$ 1,002,575</u>	<u>\$ 833,859</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company. Forward-looking statements may

be identified by the use of such words as “believes”, “may”, “will”, “should”, “intends”, “plans”, “estimates”, “anticipates”, or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) could cause actual results to differ materially from those set forth in the forward-looking statements. In addition to those specific risks and uncertainties set forth in the Company's reports currently on file with the SEC, some other factors that may affect the future results of operations of the Company are: the development of products that may be superior to those of the Company; changes in the quality or composition of the Company's products; lack of market acceptance of the Company's products; the Company's ability to develop new products; general economic or industry conditions; changes in intellectual property rights; changes in interest rates; new legislation or regulatory requirements; conditions of the securities markets; the Company's ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors that may affect the Company's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from those anticipated as a result of such forward-looking statements, and those statements speak only as of the date they are made.

The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

OVERVIEW

The Company is a Delaware corporation that conducts research, product development, manufacturing and marketing of cosmetic ingredients, personal and health care products, pharmaceuticals, and specialty industrial products. All of the products that the Company manufactures, with the exception of RENACIDIN, are produced at its facility in Hauppauge, New York, and are marketed through marketing partners, distributors, wholesalers, direct advertising, mailings, and trade exhibitions. Its most important product line is its LUBRAJEL[®] line of water-based moisturizing and lubricating gels, which are used primarily as ingredients in cosmetic products. The Company's research and development department is actively working on the development of new products to expand the Company's line of personal care products. Some of the Company's products have patent protection, and others are produced using proprietary manufacturing processes.

The Company's personal care products are marketed worldwide by five marketing partners, of which Ashland Specialty Ingredients (“ASI”) purchases the largest volume of products from the Company. Approximately 65% of the Company's products are sold, either directly or through the Company's marketing partners, to end users located outside of the United States.

The Company also sells two pharmaceutical products for urological uses. Those products are sold primarily in the United States through the major drug wholesalers, which in turn sell the products to pharmacies, hospitals, nursing homes and other long-term care facilities, and to government agencies, primarily the United States Department of Veterans Affairs.

The Company's non-pharmaceutical medical products (referred to hereinafter as "medical products"), such as its catheter lubricants, as well as its specialty industrial products, are sold

directly by the Company to the end users or to contract manufacturers utilized by the end users, although they are available for sale on a non-exclusive basis by its marketing partners, as well.

While the Company does have competition in the marketplace for some of its products, particularly its cosmetic ingredients, some of its pharmaceutical and medical products have some unique characteristics, and do not have direct competitors. However, these products may have indirect competition from other products that are not marketed as direct competitors to the Company's products but may have similar functions or properties to the Company's products.

The Company recognizes revenue when products are shipped, title and risk of loss pass to the customers, persuasive evidence of a sales arrangement exists, and collections are reasonably assured. An allowance for returns, based on historical experience, is taken as a reduction of sales within the same period the revenue is recognized.

Over the years the Company has been issued many patents and trademarks and intends, whenever possible, to make efforts to obtain patents in connection with its product development program. Most of the patents that the Company has been issued have expired; however, the Company does not believe that the expiration of those patents will have any material effect on its sales, since the Company's most important products rely on trade secrets and proprietary manufacturing methods rather than patent protection.

CRITICAL ACCOUNTING POLICIES

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, the discussion and analysis of the Company's financial condition and results of operations are based on its financial statements, which have been prepared in conformity with GAAP. The preparation of those financial statements required the Company to make estimates and assumptions that affect the carrying value of assets, liabilities, revenues and expenses reported in those financial statements. Those estimates and assumptions can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company's most critical accounting policies relate to revenue recognition, concentration of credit risk, investments, inventory, and income taxes. Since December 31, 2014, there have been no significant changes to the assumptions and estimates related to those critical accounting policies.

The following discussion and analysis covers material changes in the financial condition of the Company since the year ended December 31, 2014, and a comparison of the results of operations for the second quarter of 2015 and 2014, and the first half of 2015 and 2014. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis or Plan of Operation" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

RESULTS OF OPERATIONS

Net Sales

Net sales for the second quarter of 2015 increased by \$1,143,955 (38.4%) when compared with the same period in 2014. Net sales for the first half of 2015 increased by \$1,556,856 (22.4%) as compared with the corresponding period in 2014. The changes in net sales for both the second quarter of 2015 and the first half of 2015 were attributable to changes in sales of the following product lines:

- (a) **Personal care products:** For the second quarter of 2015 the Company's sales of personal care products increased by \$1,097,443 (53.1%) when compared with the second quarter of 2014, and for the first half of 2015 the Company's sales of personal care products increased by \$1,468,763 (28.5%) when compared with the same period in 2014. The increases in sales in both periods were due primarily to increases in shipments of the Company's extensive line of personal care products to ASI, the Company's largest marketing partner. Sales to ASI alone increased by 62% and 30% for the three- and six-month periods, respectively, ended June 30, 2015, compared with the corresponding periods in 2014. Based on information supplied to the Company by ASI, the Company believes that the increase in sales to ASI was attributable primarily to an increase in sales of the Company's products to customers in China, where the Company has seen increased demand over the past year. Sales of the Company's personal care products to Korea also increased in the first half of 2015 compared with the same period in 2014, more than offsetting some decreases in sales into certain parts of Western Europe.
- (b) **Pharmaceuticals:** For the second quarter of 2015 the Company's sales of pharmaceutical products decreased by \$7,299 (1.7%) when compared with the second quarter of 2014. For the first half of 2015 the Company's sales of pharmaceutical products increased by \$85,486 (11.1%) when compared with the same period in 2014. This increase in sales for the first half of 2015 was primarily the result of an increase in Renacidin sales in the first quarter of 2015 when compared with the first quarter of 2014. Sales of these products in the second quarter of 2015 were comparable to sales in the second quarter of 2014 (a decrease of only 1.7%). The Company believes that this small decrease was the result of customer ordering patterns.

The Company is currently working with a new supplier that will be producing RENACIDIN in a new single-dose container, which the Company anticipates may increase its sales of this product in future years. The Company has submitted a supplement to its New Drug Application to the FDA, and hopes to have the new dosage form on the market in early 2016, subject to FDA approval. However, any delays in FDA approval could change that timetable. The Company is currently receiving new shipments of the current dosage form of RENACIDIN, and expects to have adequate inventory to last until the new single-dose form is approved.

- (c) **Medical (non-pharmaceutical) products:** Sales of the Company's medical products increased by \$53,392 (11.3%) for the second quarter of 2015, and increased by \$14,097 (1.4%) for the first half of 2015 compared with the same periods in 2014. The increases in medical product sales were primarily attributable to the ordering patterns of the Company's customers for these products. The Company is currently working with potential new customers for these products which, if successful, could increase the Company's medical products sales in future years.
- (d) **Industrial and other products:** Sales of the Company's industrial products, as well as other miscellaneous products, increased by \$4,484 (7.8%) and decreased by \$6,123 (6.7%) for the three and six months, respectively, ended June 30, 2015, when compared with the corresponding periods ended June 30, 2014. These changes are attributable to customer ordering patterns.

In addition to the above changes in sales, net sales allowances increased by \$4,064 and \$5,366 for the three and six months, respectively, ended June 30, 2015, when compared with the corresponding periods in 2014. This increase was primarily due to increases in chargebacks paid to the U.S. Department of Veterans Affairs and allowances for distribution fees.

Cost of Sales

For the second quarter of 2015, cost of sales as a percentage of sales decreased to 34.0%, down from 37.1% in the second quarter of 2014. Cost of sales as a percentage of sales decreased to 36.3% for the first half of 2015, from 36.6% for the comparable period in 2014. The decreases for the second quarter of 2015 and for the first half of 2015 were primarily the result of (a) an increase in production volume necessary to meet the increases in sales during those periods, which resulted in greater production efficiency, and (b) increases in the sales of some of the Company's higher margin products.

Operating Expenses

Operating expenses consist mainly of selling, general and administrative expenses. Also included in operating expenses are research and development expenses. Operating expenses decreased by \$23,410 (3.8%) for the second quarter of 2015 compared with the comparable quarter in 2014, and decreased by \$11,817 (1.0%) for the first half of 2015 compared with the first half of 2014. The decreases in operating expenses were primarily attributable to decreases in payroll related expenses. The majority of the Company's operating expenses are substantially fixed, and accordingly do not increase when sales increase.

Other Income

Other income increased by \$18,961 for the second quarter of 2015 compared with the comparable quarter of 2014, and increased by \$14,194 for the first half of 2015 compared with the first half of 2014. Investment income increased \$18,961 and \$38,996 for the second quarter and first half, respectively, of 2015, compared with the same periods in 2014. These increases were mainly due to dividend income from both stock and bond mutual funds, as well as realized gains from the sales of some of the Company's mutual funds. For the first half of 2014 there was \$24,402 of income from the Renacidin damage settlement. No income from the damage settlement was received in 2015.

Provision for Income Taxes

The provision for income taxes increased by \$277,400 (68.6%) and \$302,900 (29.2%) for the three and six months, respectively, ended June 30, 2015, when compared with the comparable periods of 2014. The increases for the second quarter of 2015 and the first half of 2015 were mainly due to increases in income before taxes of \$886,638 (67.9%) and \$1,036,895 (31.7%), respectively, when compared to the comparable periods in 2014. The Company's effective income tax rate remained approximately 31.0% for all periods presented, and is lower than the federal statutory rate of 34% primarily due to the additional tax deduction for domestic production activities, as well as the utilization of research and development credits.

LIQUIDITY AND CAPITAL RESOURCES

Working capital increased from \$13,688,101 at December 31, 2014 to \$14,375,952 at June 30, 2015, an increase of \$687,851. The current ratio decreased from 15.0 to 1 at December 31, 2014 to 11.6 to 1 at June 30, 2015. The increase in working capital was primarily due to increases in marketable securities and accounts receivable, which were partially offset by increases in accrued expenses and income tax payable. The decrease in the current ratio was primarily due to the effect of increases in accounts payable, accrued expenses and income taxes payable.

During the first half of 2015 the average period of time that an account receivable was outstanding was approximately 39 days. The average period of time that an account receivable was outstanding during the first half of 2014 was approximately 40 days.

The Company believes that its working capital is, and will continue to be, sufficient to support its operating requirements for at least the next twelve months. The Company does not expect to incur any significant capital expenditures for the remainder of 2015.

The Company generated cash from operations of \$3,061,313 and \$2,485,139 for the first half of 2015 and 2014, respectively. The increase was primarily due to the increase in net income.

Cash used in investing activities for the first half of 2015 and 2014 was \$927,431 and \$33,002, respectively. This increase was primarily due to an increase in the purchases of marketable securities in the first half of 2015 compared with the comparable period in 2014.

Cash used in financing activities was \$2,298,219 and \$2,206,291 for the first half of 2015 and 2014, respectively. This increase was mainly due to an increase in dividends paid per share from \$0.48 per share in 2014 to \$0.50 per share in 2015.

The Company expects to continue to use its cash to make dividend payments, to purchase marketable securities, and to take advantage of other opportunities that are in the best interest of the Company and its shareholders, should they arise.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 4 to the Condensed Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and the anticipated impact on the financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet transactions that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The information to be reported under this item is not required of smaller reporting companies.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information to be reported under this item is not required of smaller reporting companies.

Item 4. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including its Principal Executive Officer and Chief Financial Officer, has evaluated the design, operation, and effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation performed by the Company's management, including its Principal Executive Officer and Chief Financial Officer, it was determined that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosures.

(b) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Principal Executive Officer and Chief Financial Officer have determined that, during the period covered by this quarterly report, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. They have also concluded that there were no significant changes in the Company's internal controls after the date of the evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

ITEM 1A. RISK FACTORS

The information to be reported under this item is not required of smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. MINE SAFETY DISCLOSURES

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS

- 31.1 Certification of Kenneth H. Globus, President and Principal Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Robert S. Rubinger, Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certifications of the Principal Executive Officer and Chief Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED-GUARDIAN, INC.
(Registrant)

By: /S/ KENNETH H. GLOBUS
Kenneth H. Globus
President

By: /S/ ROBERT S. RUBINGER
Robert S. Rubinger
Chief Financial Officer

Date: August 10, 2015