



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

First Quarter 2009 Report to Stockholders

June 5, 2009

Dear Stockholder:

I am pleased to report that we had a very strong start to the year, with sales and earnings both up substantially over the first quarter of 2008. Sales for the first quarter of 2009 were up 29% over the same quarter last year, increasing from \$3.0 million in the first quarter of 2008 to \$3.9 million in this year's first quarter. Net income for the quarter was up 38% over last year, increasing from \$839,000 (\$0.17 per share) in 2008 to \$1.16 million (\$0.23 per share) this year.

There were a number of factors that contributed to our strong first quarter sales. Sales to International Specialty Products, our largest marketing partner, increased by over \$500,000 (40%) this year compared to last year's first quarter. While most of this increase had to do more with the timing of orders rather than any significant increase in business, it nevertheless made a substantial impact on our sales for the quarter. ISP has informed us that sales of our products have continued to be strong while many of their other product lines have declined.

The other major factor in our strong first quarter sales was a substantial increase (almost \$600,000) in sales of our medical lubricant products. Approximately 58% of this increase was due to an increase in sales to one customer that was bringing in additional inventory in anticipation of moving its production facilities to Mexico. However, even without that factor the customer has informed us that it expects its requirements for the year to be up over last year, and we expect sales of our medical products overall to continue to be a growth area for us.

Unlike the first quarter of 2008, we did not put through a price increase on our pharmaceutical products during the first quarter of this year. As a result, pharmaceutical product sales for the quarter were very close to normal levels, being down just slightly compared with the first quarter of 2008. We attribute that small decrease to normal fluctuations in that business, and we expect pharmaceutical sales for the full year to be comparable to last year.

As a result of the very strong first quarter results, as well as strong sales continuing into April, the Board of Directors, at its meeting on May 13th, declared a cash dividend of \$0.28 per share, which will be paid on June 15th to all stockholders of record as of June 1st. Although the economy is still shaky and it is anyone's guess as to what the future will bring, the Board

felt that the company's strong results and excellent financial strength justified the payment of the dividend, which represents a 3.7% increase over the dividend that was paid in June 2008. This is now the 14th consecutive year that the company has paid a dividend, and we are hopeful that we will be able to continue to increase our dividend payments in future years.

We are continuing to work on the projects that I discussed in my Annual Report to Stockholders in April. Since it has only been two months since that report, and there haven't been any significant events in regard to those projects, I will not discuss them in detail again now, and will give a more detailed update in my next letter in September. For some of those new products we feel strongly that it is important to file patent applications before disseminating too much information to our marketing partners. That may delay the start of active marketing efforts for those products, but we want to make sure we are protected before we bring those products to market. We expect to file those applications over the next few months, after which we will be able to provide complete marketing information to our marketing partners and potential customers. We are very excited about these new products, and are hopeful that they will begin to bring in additional revenue in the near future.

Our new marketing consultant has been very active in trying to open up new marketing opportunities for us, and we are pursuing a number of leads that she has brought to us. One of them is with a global personal care products company that we worked with several years ago (and still sell product to), that is interested in working with us again on a new project. We are in the process of discussing with them how to proceed, and are excited to once again be working with them. While it is too soon to determine how successful our new consultant is going to be, we are optimistic that her extensive marketing experience, along with her high levels of motivation, will open up some new opportunities for us in the coming months.

Finally, for those of you who may not have seen our press release of April 10th, I am very sad to report that Dr. Alfred R. Globus, my uncle and the founder of the company, passed away on April 9th at the age of 88. His health had been deteriorating for several months, and he suffered a stroke while he was hospitalized during a visit to California. He never recovered from that stroke, and died shortly thereafter. He started this company in 1942, and gave up much of his family time to grow the business that he loved so much. He had an extraordinary mind, and many of the products he developed still form the core of our business today. Over the past several years he had not been actively involved in the day-to-day running of the business, but always kept himself informed about the company's activities and projects. All of us at United-Guardian are going to miss him tremendously, and we will do our best to honor his memory by continuing what he started 67 years ago.

Sincerely,

UNITED-GUARDIAN, INC.

A handwritten signature in black ink that reads "Ken Globus". The signature is written in a cursive, flowing style.

Ken Globus
President

RESULTS FOR THE FIRST QUARTER ENDED
MARCH 31, 2009 and MARCH 31, 2008*

CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2009</u>	<u>2008</u>
Net sales	\$ 3,895,143	\$ 3,031,199
Costs and expenses	<u>2,256,304</u>	<u>1,896,495</u>
Income from operations	1,638,839	1,134,704
Other income (expense)	<u>91,602</u>	<u>120,564</u>
Income from operations before income taxes	1,730,441	1,255,268
Provision for income taxes	<u>575,200</u>	<u>416,000</u>
Net income	\$ <u>1,155,241</u>	\$ <u>839,268</u>
Earnings per common share (Basic and Diluted)	\$ <u>0.23</u>	\$ <u>0.17</u>

BALANCE SHEETS

<u>ASSETS</u>	MARCH 31, <u>2009</u> (UNAUDITED)	DECEMBER 31, <u>2008</u>
Current assets	\$ 16,093,502	\$ 15,785,392
Certificates of deposit	274,886	271,976
Property, plant and equipment, net	923,127	951,979
Other assets	<u>267,556</u>	<u>274,276</u>
TOTAL ASSETS	\$ <u>17,559,071</u>	\$ <u>17,283,623</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Total current liabilities	\$ 1,663,847	\$ 2,548,712
Deferred income taxes	30,374	28,616
Stockholders' equity	<u>15,864,850</u>	<u>14,706,295</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>17,559,071</u>	\$ <u>17,283,623</u>

* More detailed financial information can be found at the company's web site at www.u-g.com.