



UNITED-GUARDIAN, INC.

Corporate Divisions and Subsidiaries
GUARDIAN LABORATORIES
EASTERN CHEMICAL

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First Quarter 2008 Report to Stockholders

June 6, 2008

Dear Stockholder:

Once again our first quarter was a very profitable one, with earnings of \$.17 per share on sales of just over \$3 million. Although this was a decrease of \$.06 per share from the first quarter of 2007, the difference was not due to a decline in business. Rather, it was due to the unusually high levels of pharmaceutical sales that took place in the first quarter of 2007 that did not recur in the first quarter of this year. We believe that the unusual buying activity in the first quarter of 2007 was due to a price increase of about 9% that we instituted in the first quarter of 2007 on the pharmaceutical products. Many of our customers purchased additional inventory to avoid the price increase. Since the price increase this year was under 4%, it appears that many customers did not feel the same need to bring in additional inventory, and this resulted in the large disparity in pharmaceutical sales between the two quarters.

We believe that one result of this will be that pharmaceutical sales for the rest of the year will be higher than they were in the second, third, and fourth quarters of 2007, since in 2007 it wasn't until October that pharmaceutical sale reached normal levels again.

Sales in the first quarter of 2007 also included higher-than-normal sales of our cosmetic and medical products, primarily our Lubrajel® family of water-based moisturizing and lubricating gels. We believe that was due primarily to the buying patterns of our customers, which was confirmed when sales of those products also equalized over the remainder of the year. We did not see those same higher purchasing levels in this year's first quarter; however, we anticipate that over the remainder of this year our personal care products sales will still be equal to or greater than last year. Overall, we expect both sales and earnings to be much more consistent in 2008 on a quarter-to-quarter basis than they were in 2007.

It is also important to keep in mind that for the full year in 2007 we earned \$.69 per share, which was a record for us. The quarterly earnings for 2007 averaged just over \$.17 per share, which is what we earned this quarter as well. While we are always striving to improve the prior year's sales and earnings numbers, with the economy the way it is right now just reaching last year's record numbers is significant.

In my annual report to stockholders in April I reported on the status of some of our ongoing research and development efforts. Since it has only been two months since that report, there have really been no significant changes in the status of those projects. While development work on those projects continues, we are also trying to enlist the aid of our marketing partners to assist us in finding new areas of research based on feedback they receive from their customers. We also hope to locate a new marketing consultant to assist us in bringing some of our existing products to market, including some of our industrial products.

While our work with Howard Industries on the use of our Cloronine as an agricultural disinfectant continues, the slow pace of progress has been disappointing, and it has not been easy to obtain updates on the status of the project. For that reason we still do not have an accurate idea as to how the project is proceeding and when they expect to receive EPA approval for the particular agricultural use they have in mind. While we are still hopeful that the project will be successful, our inability to keep up-to-date has made it difficult to know how likely it is that this project will come to fruition.

At our Board of Directors meeting in May it was decided to once again declare a semi-annual cash dividend of \$.27 per share, which is the same amount that was paid in June, 2007. The dividend will be paid on June 16, 2008 to all stockholders of record as of the close of business on June 2, 2008. This is the 13th consecutive year that we have paid a dividend, and we are pleased that the company is once again in a position to be able to share our earnings with our shareholders. In making the decision to declare a dividend, the members of the Board of Directors have been kept apprised by management of any anticipated capital needs, and it was the consensus of the members of the Board that the company's financial position is extremely strong and that the payment of this dividend would be in the best interests of the company and its shareholders.

Sales for the first two months of the second quarter have been strong, and we anticipate that our second quarter will be another profitable one. We expect 2008 to be another strong year for us, and we plan to continue to bring out new products that will enable us to expand the markets for our products, bring in new customers, and continue to supply our existing customers with unique and innovative products.

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, 2008 and MARCH 31, 2007

CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED MARCH 31,	
	<u>2008</u>	<u>2007</u>
Revenue from continuing operations	\$ 3,031,199	\$ 3,990,650
Costs and expenses	<u>1,896,495</u>	<u>2,305,220</u>
Income from continuing operations	1,134,704	1,685,430
Other income	<u>120,564</u>	<u>125,351</u>
Income from continuing operations before income taxes	1,255,268	1,810,781
Provision for income taxes	<u>416,000</u>	<u>649,961</u>
Net income from continuing operations	839,268	1,160,820
Loss from discontinued operations, net of income tax	---	<u>(775)</u>
Net Income	\$ <u>839,268</u>	\$ <u>1,160,045</u>
Earnings per common share (Basic and Diluted):		
Continuing operations	\$.17	\$.23
Discontinued operations	---	---
Total—Basic and diluted	\$ <u>.17</u>	\$ <u>.23</u>
Weighted average shares – basic	<u>4,946,439</u>	<u>4,942,289</u>
Weighted average shares – diluted	<u>4,946,439</u>	<u>4,944,876</u>

CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	MARCH 31, <u>2008</u>	DECEMBER 31, <u>2007</u>
	(UNAUDITED)	
Current assets	\$ 15,766,926	\$ 15,758,545
Property, plant and equipment (less depreciation)	946,697	953,397
Other assets	<u>468,128</u>	<u>322,526</u>
Total assets	\$ <u>17,181,751</u>	\$ <u>17,034,468</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities	\$ 1,626,258	\$ 2,357,853
Long-term liabilities	158,943	146,519
Stockholders' equity	<u>15,396,550</u>	<u>14,530,096</u>
 Total liabilities and stockholders' equity	 \$ <u>17,181,751</u>	 \$ <u>17,034,468</u>

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