



UNITED-GUARDIAN, INC.

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First Quarter 2015 Report to Stockholders

May 29, 2015

Dear Stockholder:

I am pleased to report that sales in the first quarter of 2015 not only exceeded by more than 10% the very strong sales we experienced in the first quarter of 2014, but were actually the highest of any first quarter in our 73-year history. In addition, earnings for the quarter, while not setting any new company records, were still up by 9% over last year's first quarter, resulting in an increase in earnings per share from 29 cents in the first quarter of 2014 to 32 cents in this year's first quarter.

In addition to the increase in sales and earnings, our balance sheet also continued to strengthen, with working capital increasing from \$13,688,101 as of December 31, 2014 to \$15,277,396 at March 31, 2015; stockholders' equity increasing from \$14,736,938 to \$16,262,702; and retained earnings increasing from \$14,017,425 to \$15,477,935.

The primary reason for the increase in sales was a significant increase in purchases of one of our best-selling Lubrajel® products, Lubrajel Oil, to our largest marketing partner, Ashland Specialty Ingredients ("ASI"). Most of their purchases of that product were intended for shipment to customers in China. The demand in China for this particular form of Lubrajel has increased significantly over the past year, and, based on projections given to ASI by its Chinese customers, ASI expects the demand for this product to continue.

The increase in demand that we have experienced in China has made up for some of the sales we lost when one of our major customers for a different form of Lubrajel started using a second source for the product that they had been buying exclusively from us. That exclusive situation changed around the second quarter of 2014, when ASI's sales to this customer decreased significantly. It was not until the third quarter of 2014 that ASI discovered and reported to us the reason for that decrease. We are continuing to work with ASI to attempt to recover some of that lost business by offering the customer price concessions in exchange for volume commitments. However, at the present time we have not received any assurances that we will be able to recover that lost business. The good news for us was that the new business in China more than made up for the business we lost, which is why our sales in the first quarter were so strong. We intend to continue to work with ASI and make every reasonable effort to recover as much of that lost business as we can.

We are also working with our European marketing partners to make our products more competitive in Europe, since US imports into Europe have become more expensive for European customers due to the strengthening of the U.S. Dollar vs. the Euro. Sales of our products into Europe have declined over the past two years, not only because of the Dollar/Euro issue, but also because of the overall economic conditions in Europe. We are doing everything we can to try to remain competitive in Europe despite the pricing pressures that we and many other U.S. manufacturers have been experiencing there. On the other hand, sales to our marketing partner in Korea have continued to increase, which has helped to offset some of the decline in sales into Europe.

As most of you probably know, we have been awaiting word from the FDA on our application to market a new single-dose form of our most important pharmaceutical product, Renacidin® Irrigation. Over the past few years we have experienced production problems with our current supplier of that product, and have been working with a new supplier that will be supplying the product to us in a new, smaller (30mL) plastic bottle versus our current 500mL glass bottle. We believe that the new, easier to use bottle will enable us to increase our sales of this product. We filed our application with the FDA in August of last year, and we just recently received a formal response from the FDA requesting a few changes to our labeling. It is our understanding that once we provide the FDA with these changes the product will be in a position to receive marketing approval. We currently have sufficient inventory of Renacidin to last until we can begin manufacturing the new product. Even if the approval is delayed by a few more months we should have ample time to gear up for production. Assuming that we receive our approval soon, we expect to begin marketing the new product in the first quarter of 2016.

Our efforts to diversify our personal care product line are continuing, and we have several products that we hope will begin to generate revenue this year. We have been spending a lot of our R&D time over the past couple of years developing our new Lubrajel “Natural” line, which is an extension of our Lubrajel line and consists of products made only with materials that are considered “natural”. Our first product in this line was introduced last year, and while we have not yet had any significant sales, it is actively being evaluated by our marketing partners and some of their customers, and we are hopeful that we will begin to see orders soon. This product received certification from Ecocert, a leading industry certifying organization for natural products.

The second product in the Lubrajel Natural line, which uses marine-based ingredients, is currently being evaluated by our marketing partners. We are also in the process of finalizing the formulation for the third product in this line, a natural version of our Lubrajel Oil, the product that has been so successful in China for us recently. Whether or not the “natural” version of this product can generate the level of sales currently being generated by Lubrajel Oil remains to be seen, but we are hopeful that we will start to see sales of all of these new products in the next couple of years. The marine-based product has also received Ecocert certification, and we expect the natural version of Lubrajel Oil to do so as well.

In previous letters I had mentioned that we were doing development work for an Australian company that was interested in having us develop a water-based gel that would be used as a base for its proprietary virucidal ingredient. We became aware that the company was working with at least one other company, and was also acting on behalf of a third party that would be the ultimate user of the product. These multiple layers have made the situation very complicated. Although we completed Phase I of that project, and developed several formulations that we believe have promise, they have not been responsive to our efforts to resolve some of the outstanding issues that need to be resolved in order to move forward. As

a result, that project is on hold for now. While we would certainly like to eventually see it continue, putting this project on hold will free up some of our valuable R&D resources, which will certainly be put to good use on some of our other projects.

Some of that R&D time will be used to continue our work with ASI to develop some lower-cost products for markets such as India and Eastern Europe, where our current product line may not be cost effective for certain cosmetic manufacturers. This project is still in its early stages, and has not received a lot of R&D time due to our focus on finalizing the Lubrajel Natural product line and our work on the Australian project. We now expect to begin putting more R&D time into this project during the coming year, along with continuing development work on two other new non-Lubrajel products that we have been working on with ASI.

As a result of the strong and very profitable first quarter of 2015, along with our projection that the strong sales will continue through at least the second quarter, the Board of Directors, at its meeting on May 13, 2015, authorized the distribution of a cash dividend of \$0.50 per share, to be paid on June 14, 2015 to all stockholders of record on June 1, 2015. This is a 4% increase over the mid-year dividend that was declared in May 2014, and a 56% increase over the reduced dividend that we paid in December 2014. It is also equals the largest dividend the company has ever paid. In making the decision to pay this dividend the Board took into account not only our sales-to-date, but also our projections for the future and our near-term need for capital. After evaluating all those factors, the Board determined that the payment of this dividend was in the best interests of both the company and its stockholders. This will be the 20th consecutive year that we have paid a dividend, and we are very pleased to be able once again to share our good fortune with our stockholders.

With our stock price remaining strong it is clear that many investors share our feelings about the value of our company and our prospects for the future. Based on our second quarter sales-to-date we expect our second quarter to be another strong one, especially with the continuing demand for our products in China. With new products in the pipeline, and our new Renacidin product set to come on the market soon, we are optimistic that 2015 will be another strong year for us.

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