



UNITED-GUARDIAN, INC.

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GUARDIAN LABORATORIES

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First Quarter 2023 Report to Stockholders

May 25, 2023

Dear Stockholder,

I am pleased to report that despite the world's current stagnating and challenging economic environment we had another profitable quarter. First quarter 2023 is our most profitable quarter since first quarter 2022.

Net sales decreased by 34% compared to the prior year's first quarter, decreasing from \$3,892,358 to \$2,570,324. Net income for the quarter decreased by 17% from \$911,465 (\$0.20 per share) in 2022 to \$756,081 (\$0.16 per share) this year. The sales decrease was primarily attributable to a decrease in sales of the Company's cosmetic ingredients and medical lubricants, which was partially offset by an increase in sales of the Company's pharmaceutical and industrial products. Our main distributor for the Lubrajel® line of cosmetic ingredients, Ashland Specialty Ingredients, experienced decreased demand in China and in other Asian countries, resulting from COVID-19 policies that were in place for much of 2022 and from significant customer inventory destocking. On a positive note, Ashland Specialty Ingredients has indicated that they were not aware of any significant loss of major customers. We are hopeful that demand trends will stabilize throughout the year as China's re-opening progresses. With this stabilization in demand, we hope to see increases in sales for the remainder of 2023.

I am excited about the growth initiatives that we have in place. Our cosmetic ingredients and medical lubricants businesses are well-established, and we intend to capitalize on the existing product portfolios and build additional capabilities to strengthen these businesses. Innovation is a central theme of our strategy to secure long-term growth. We will continue to expand the pipeline for our well-established products as well as applying additional R&D resources to develop naturally-derived specialty ingredients which are particularly important for the Company's personal care customers. Additionally, we will collaborate with our distributors and customers as well as establish strategic alliances with other specialty ingredient suppliers to develop new value-added technologies and products for our global customers.

We are proud to announce that we are launching Natrajel™ hydrogels, a line of products for the sexual wellness market. This market is experiencing rapid growth and we want to “ride the wave”. Natrajel hydrogels include classic and nature-derived products. The nature-derived products are made with natural and sustainable raw materials using clean and efficient manufacturing processes.

We are also implementing growth initiatives in our pharmaceutical business. For Renacidin®, we are exploring the possibility of growing by geographic expansion. For Clorpactin® we are continuing our work with SIGN Fracture Care, an outstanding organization that gives the injured poor access to fracture surgery by donating orthopedic education and implant systems to surgeons in developing countries. SIGN Fracture Care is testing Clorpactin as a surgical disinfectant with very promising results.

In a meeting of the Company’s Board of Directors, a decision was made to reposition our marketable securities into more stable investments, such as United States Treasury Bills, with the goal of minimizing the impact of future market fluctuations on the Company’s financial performance.

As you might be aware, on April 20, 2023 we received a deficiency letter from the Listing Qualifications Department of The Nasdaq Stock Market, LLC (“NASDAQ”) notifying us that we were not in compliance with the listing requirements of the Nasdaq Global Select Marketplace, due to the market value of the Company’s listed securities being less than \$50,000,000 for the previous thirty consecutive business days. We are happy to announce that on May 18th 2023, we received notification from NASDAQ that after the filing of our first quarter 2023 Form 10-Q, we have regained compliance under the stockholders’ equity standard.

On May 17, 2023 the Board of Directors met to discuss the declaration of a mid-year dividend. The Board decided to declare a mid-year dividend in July, consistent with the practice of most publicly traded companies, and issue its year-end dividend in January.

We continue to have a solid foundation of high-quality innovative technologies, as well as an outstanding and experienced team at all levels. We remain committed to our growth strategy, and our path of change, reshaping the way we operate to support choices that are sustainable, innovative and deliver business growth.

Thank you all for your trust in United-Guardian and in me. We all look forward to another profitable year in 2023.

Sincerely,

UNITED-GUARDIAN, INC.

Beatriz Blanco

President & CEO

