

## Letter to Stockholders

Dear Stockholder:

Our second quarter was another profitable one but also reflected the many changes that the company is going through right now, including the impact on us, our customers, and our marketing partners of the confusing and costly tariff situation. Some of our marketing partners have informed us that customers are hesitant to bring in large quantities of product for fear that tariffs will make those products less profitable to sell (or not profitable at all). As a result, we have been working closely with our marketing partners to assist them with dealing with the impact of the tariffs, including, in some cases, sharing some of the tariff costs in order to retain customers. This situation resulted in a decrease in the size of the orders we received during the first half of the year, which has impacted earnings. We are hopeful that this situation will improve as the tariff situation stabilizes.

As a result of some customers reducing their orders in the second quarter, sales for the quarter decreased from \$3,390,205 in 2024 to \$2,838,225 in 2025, which also resulted in net income decreasing from \$956,225 (\$0.21 per share) to \$626,826 (\$0.14 per share). For the first six months of the year, sales decreased from \$6,645,149 in 2024 to \$5,319,352 in 2025, which resulted in a decrease in net income from \$1,881,667 (\$0.41 per share) to \$1,187,721 (\$0.26 per share). However, when compared with the first quarter of this year, sales in the second quarter actually increased by 14%, and net income increased by 12%.

The primary reason for the reduction in sales and net income in the second quarter was softer demand for our cosmetic products in Asia, which was at least in part due to the negative impact of the tariffs. Sales of those products in the first six months of the year decreased by 52% from \$3,295,856 in 2024 to \$1,595,546 in 2025. Much of that reduction was due to smaller orders from our largest marketing partner, Ashland Specialty Ingredients (“ASI”). In addition to softer demand in Asia, ASI reported that it was continuing to work down excess inventory, which also impacted the size of their orders. According to ASI, the softer demand in Asia was noticed in several of their own chemical product categories and was not limited to our product line. The uncertainty of global trade and increasing tariffs have forced customers to reassess their 2025 forecasts.

On a positive note, for the first six months of 2025 sales of our medical lubricants and pharmaceutical products increased compared with the same period in 2024. Sales of medical lubricants increased by 12% from \$985,306 in 2024 to \$1,103,669 in 2025, which was attributable to increased orders from one of our large customers in China. Pharmaceutical product sales increased by 11% from \$2,363,987 in 2024 to \$2,620,137 in 2025, which was attributable to a new customer having been secured by one of our Renacidin® distributors.

To better cope with the potential impact of tariffs and other global economic uncertainties on our business we are: (1) closely monitoring our supply chain to control costs; (2) adjusting our distribution partner network to better serve our customers, increase sales, and assist in developing new products to better meet our customers’ needs; (3) aggressively seeking opportunities to expand our position in healthcare, particularly in regard to Renacidin®, our most important pharmaceutical product; (4) developing additional products for the sexual wellness market, a rapidly growing sector of the healthcare and personal care markets; and (5) seeking external opportunities to grow our business. In furtherance of that the Board has formed a committee to explore possible new growth opportunities.

Renacidin continues to be a priority in our growth plan. We have allocated resources for an insurance payer outreach program which consists of two phases. The first phase is to create a value proposition presentation designed to engage medical insurance companies during their formulary meetings. The creation of this value proposition is currently underway, with a projected completion date of early October. The second phase is an outreach program that will actively target insurance companies with the goal of including Renacidin on more of their drug formularies. We have determined that our payer coverage for Renacidin has significant potential for growth, which we believe is a key step in growing the market share for Renacidin. This step reduces a barrier that healthcare practitioners have experienced that has deterred them from prescribing Renacidin more frequently. We believe that by taking steps to reduce this barrier we will be able to grow our market share and significantly increase Renacidin sales over the coming years.

We are also taking steps to increase our presence in the medical lubricant market. Our first step was completed earlier this year by adding a new distribution channel to develop more opportunities in this market category. Azelis, our marketing partner for the medical market in the UK and Ireland, has added our medical lubricants to its portfolio of products and will be actively marketing them on our behalf to their medical product companies. This new channel allows us to reach new customers, gain feedback on our medical lubricants, and expand our product range to meet the needs of medical device customers. We are currently preparing training and marketing tools to support Azelis in its marketing efforts. In addition, we are continuing to develop new products for the medical market and expand our relationships with our current medical customers, with several projects in various stages of development.

The cosmetic ingredient market still presents opportunities for growth by engaging with our marketing partners and developing new products. For the past two years we have been evaluating and strengthening our marketing and distribution partnerships. That process has included reviewing and signing new marketing and distribution agreements, attending trade shows, expanding customer visits, and providing additional marketing and technical support. While some agreements are still in the process of being finalized (in particular our new marketing agreement with ASI), we are making strides to finalize those agreements as soon as possible. We are hopeful that we will have an executed agreement with ASI by the end of 2025. In the meantime, ASI is continuing its marketing efforts on our behalf, and we are working closely with them to ensure that they can continue their efforts to increase the sales of our products, particularly in China.

Along with engaging our distribution partners, the R&D team continues to design new products for the skin care and hair care markets. Two products will be ready for evaluation by our marketing partners shortly. One is a new skin care ingredient that is designed to provide longer hydration benefits. This product is complete and will be launched to selected marketing partners for their initial feedback in the fourth quarter. The new hair care ingredient, designed to meet the growing need for natural offerings, is near completion and will be launched to our marketing partners next year. With hair care becoming a new focus for us, we have also generated additional hair care claims for our existing Lubrajel® line, which will be presented to our marketing partners later this year. This data provides greater opportunities to engage customers and build brand awareness for the Lubrajel line of products.

Finally, the sexual wellness ingredient category remains a new niche market which we are excited to develop. Brenntag Specialties (“Brenntag”), our marketing partner for sexual wellness ingredients in North America, continues to believe that this market is poised for growth as personal care product companies are increasingly interested in creating products for this market. We believe that many companies are waiting for the right opportunity to enter this emerging market. Based on this we have created a new Natrajel® ingredient for this market, and it is currently being evaluated by Brenntag. As with all the markets we service, creating products that fill unmet needs continues to be a priority for us.

We are expecting the remainder of this year to continue to be profitable, and we are confident that the new growth initiatives that we have been putting in place this year will begin to have a positive impact on our sales as we enter into 2026. We are excited about the growth potential for many of these initiatives and are hopeful that they will have a positive impact on our company in the coming years.

Sincerely,

UNITED-GUARDIAN, INC.

A handwritten signature in black ink, appearing to read "Donna Vigilante". The signature is written in a cursive style with a large, sweeping initial "D".

Donna Vigilante  
President