

To Shareholders of Universal Mfg. Co.

**THREE MONTH OPERATING REPORTS  
FOR FIRST QUARTER ENDED OCTOBER 31, 2007**  
(Not audited by Independent Public Accountants)

**BALANCE SHEET**

	July 31, 2007	October 31, 2007
<b>Assets</b>		
Current Assets		
Cash & Equivalents	\$5,336,964	\$3,688,379
Accounts Receivable	1,287,029	1,415,369
Inventory	3,214,672	3,187,585.00
Other Current Assets	<u>148,883</u>	<u>17,422</u>
Total Current Assets	\$9,987,548	\$8,308,755
Property, Plant, & Equipment	<u>1,285,793</u>	<u>1,282,911</u>
<b>Total Assets</b>	<b>\$11,273,341</b>	<b>\$9,591,666</b>
<b>Liabilities &amp; Stockholder's Equity</b>		
Current Liabilities		
Note Payable	\$41,400	\$27,600
Accounts Payable	504,753	472,963
Dividends Payable	81,600	81,600
Accrued Taxes	2,147,744	73,442
Other Accruals	<u>0</u>	<u>383,908</u>
Total Current Liabilities	\$2,775,497	\$1,039,513
Stockholder's Equity		
Common Stock Outstanding	\$816,000	\$816,000
Additional Paid-in Capital	17,862	17,862
Dividends Paid	0	-81,600
Retained Earnings	<u>7,663,982</u>	<u>7,799,891</u>
Total Stockholder's Equity	\$8,497,844	\$8,552,153
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>\$11,273,341</b>	<b>\$9,591,666</b>

## INCOME STATEMENT

	2006-2007	2005-2006
Sales	\$2,492,885	\$2,197,767
Income Before Income Taxes	226,514	142,158
Income Taxes (Est.)	90,606	56,863
Net Income	135,908	85,295
Earnings Per Share	.17	.10

The above figures compare results from the First Quarter of this fiscal year with results from the First Quarter last fiscal year for continuing operations, eliminating the results from Universal Distribution LLC which was sold in July 2007.

Sales for the First Quarter were 13% higher than the First Quarter a year ago. Sales of **ReTech**<sup>™</sup> remanufactured transfer cases led the sales growth with sales increase of \$535,000. This sales increase is due to additional customers for the product, and increased purchases by existing customers.

Sales of remanufactured fuel pump assemblies and transfer case motors increased marginally from the First Quarter a year ago, while sales of new fuel pump assemblies and calipers decreased. Despite an expanded customer base, these sales results were consistent with the automotive aftermarket parts market. Automotive replacement parts sales were not growing during this period, probably due to high fuel prices.

Income the First Quarter of this fiscal year was higher than the same period the previous year, due to increased sales volume and income from investments. As a result, earnings per share increased by \$.07.

A Southwest Regional Sales Manager, based in California, was added to the sales staff in August of 2007. Before he joined the Company, we had a very limited presence in that part of the country. He will be responsible for introducing **ReTech**<sup>™</sup> products in that area, and adding new accounts.

Enclosed with this report is a check in payment of a quarterly cash dividend of \$.10 per share payable November 26, 2007, on Common Stock of this Company registered in your name on November 9, 2007. This covers the quarter ended October 31, 2007.

Donald D. Heupel  
President

### Forward Looking Statements:

Statements herein that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about future market opportunities, market demand or acceptance of the Company's products are forward looking statements that involve risks and uncertainties. These uncertainties include, without limitation, the effect of general economic and market conditions, customer requirement for our products, the continuing strength of the automotive industry, competitor pricing, maintenance of our current momentum, weather conditions and other factors.

**ReTech** is a registered trademark of Universal Mfg. Co.