

To Shareholders of Universal Mfg. Co.

**SIX MONTH OPERATING REPORTS  
FOR SECOND QUARTER ENDED JANUARY 31, 2008**  
(Not audited by Independent Public Accountants)

**BALANCE SHEET**

	July 31, 2007	January 31, 2008
<b>Assets</b>		
Current Assets		
Cash & Equivalents	\$5,336,964	\$3,453,849
Accounts Receivable	1,287,029	1,432,113
Inventory	3,214,672	3,494,078
Other Current Assets	<u>148,883</u>	<u>31,524</u>
Total Current Assets	\$9,987,548	\$8,411,564
Property, Plant, & Equipment	<u>1,285,793</u>	<u>1,287,422</u>
<b>Total Assets</b>	<b>\$11,273,341</b>	<b>\$9,698,986</b>
<b>Liabilities &amp; Stockholder's Equity</b>		
Current Liabilities		
Note Payable	\$41,400	0
Accounts Payable	504,753	575,159
Dividends Payable	81,600	81,600
Accrued Taxes	2,147,744	32,350
Other Accruals	<u>0</u>	<u>419,350</u>
Total Current Liabilities	\$2,775,497	\$1,108,459
Stockholder's Equity		
Common Stock Outstanding	\$816,000	\$816,000
Additional Paid-in Capital	17,862	17,862
Dividends Paid	0	-163,200
Retained Earnings	<u>7,663,982</u>	<u>7,919,865</u>
Total Stockholder's Equity	\$8,497,844	\$8,590,527
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>\$11,273,341</b>	<b>\$9,698,986</b>

## INCOME STATEMENT

	Second Quarter Ended January 31		Six Months Ended January 31	
	2008	2007	2008	2007
Sales	\$2,468,833	\$1,878,067	\$4,961,718	4,075,834
Income (Loss) Before Income Taxes	199,957	(125,226)	426,471	16,932
Income Taxes (Est.)	79,982	(50,090)	170,588	6,773
Net Income (Loss)	119,975	(75,136)	255,882	10,159
Earnings (Loss) Per Share	.15	(.09)	.31	.01

The above figures compare results from the Second Quarter and the first six months of this fiscal year with results from the Second Quarter and the first six months of last fiscal year for continuing operations. Results from Universal Distribution LLC, which was sold in July 2007, were eliminated.

Sales for the Second Quarter were 31% higher than the Second Quarter a year ago, resulting in sales the first six months exceeding sales the first six months a year ago by 22%. Sales of **ReTech<sup>TM</sup>** remanufactured transfer cases continue to lead the sales growth with sales increase of over \$900,000, or a unit sales increase of 1,269 units. 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 engagement motors increased marginally from the first six months a year ago, while sales of new fuel pump assemblies and remanufactured calipers decreased. These sales results were consistent with the automotive aftermarket parts market, as several of the major replacement parts suppliers are reporting minimal sales growth. Several accounts were added to our growing list of customers during the Second Quarter, which should enhance the sales growth of these product lines.

Income from continuing operations the first six months of this fiscal year was higher than the same period the previous year, due to increased sales volume and income from investments, and the reversal from an earnings loss the Second Quarter a year ago.

Enclosed with this report is a check in payment of a quarterly cash dividend of \$.10 per share payable February 25, 2008, on Common Stock of this Company registered in your name on February 11, 2008. This covers the quarter ended January 31, 2008.

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.

