UNIVERSAL MFG. CO.
720 O Street, Lot D
LINCOLN, NE 68508

DONALD L. DUNN
PRESIDENT & CEO
www.universalmfgco.com

To Shareholders of Universal Mfg. Co.

CONSOLIDATED THREE MONTH OPERATING REPORTS
FOR THE FIRST QUARTER ENDED OCTOBER 31, 2014

(Not audited by Independent Public Accountants)

BALANCE SHEET

	October 31, 2014	July 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 104,363	$ 2,307,728
Receivables		
Trade receivables, net	4,183,818	3,835,061
Other receivables, net	275,757	275,757
Cost and estimated earnings in excess of billings on uncompleted project, net	720,299	600,838
Inventories	3,567,009	3,411,171
Prepaid expenses	110,169	141,444
Income tax receivable	249,853	102,862
Deferred income taxes	515,462	515,462
Total Current Assets	9,726,730	11,190,323
Property, plant and equipment, net	1,308,582	1,372,690
Other Noncurrent Assets:		
Intangibles, net of amortization	42,762	43,727
Goodwill	4,898,600	4,898,600
	4,941,362	4,942,327
Total Assets	$ 15,976,674	$ 17,505,340
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of long-term debt	167,772	167,772
Accounts payable	541,390	1,028,368
Accrued expenses and other liabilities	1,685,933	2,505,905
Total Current Liabilities	2,395,096	3,702,045
Noncurrent Liabilities:		
Long term debt, less current portion	1,803,885	1,844,976
Deferred income taxes	485,575	485,575
Total Noncurrent Liabilities	2,289,460	2,330,551
Stockholders' Equity		
Common stock - issued and outstanding	816,000	816,000
Additional paid-in capital	128,392	128,392
Retained earnings	10,347,726	10,528,352
Total Stockholders' Equity	11,292,118	11,472,744
Total Liabilities and Stockholders' Equity	$ 15,976,674	$ 17,505,340

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CONSOLIDATED INCOME STATEMENT

	Quarter Ended October 31		Three Months Ended October 31	
	2014	2013	2014	2013
Sales	$4,224,904	$5,955,978	$ 4,224,904	$ 5,955,978
Earnings (Loss) Before Income Taxes & Discontinued Operations	$ (195,994)	$ 315,496	$ (195,994)	$ 315,496
Income Taxes Expense (Benefit) Est.	$ (50,945)	$ 110,424	$ (50,945)	$ 110,424
Discontinued Operations Loss, net of tax	$ (35,577)	$ (9,451)	$ (35,577)	$ (9,451)
Net Income	$ (180,626)	$ 195,622	$ (180,626)	$ 195,622
Basic Earnings per Share	$ (0.22)	$ 0.24	$ (0.22)	$ 0.24
Diluted Earnings per Share	$ (0.22)	$ 0.23	$ (0.22)	$ 0.23

The above are consolidated operating results of Universal Mfg. Co., including its ReTech operating division (“ReTech”) and its operating subsidiary Man Lift Mfg. Co. (“Man Lift”) (collectively, the “Company”) for the 1st Quarter ending October 31, 2014 (the “Quarter”) and the first three months of the current fiscal year (“YTD”) as compared to the same periods for the prior year (“PY”). The Quarter was disappointing. Sales declined 29% year over year and we experienced a net loss of $180,626 for the Quarter compared to net income of $195,622 for the same Quarter PY.

ReTech sales decreased by 3.1% for the Quarter over PY and were flat to Budget. Transfer Case, Calipers and Transfer Case Motors sales grew, 6.2%, 31.9% and 22.9% respectively over the same period prior year and remanufactured differentials grew substantially year over year. This gain was offset by a decrease in AFS Fuel Pump sales of 67.7% compared to the same period PY. Gross Margins for ReTech were 28.4% compared to 25.9% for the same Quarter PY. At Operating Income, ReTech earned $225,000 for the Quarter, an increase of 39.7% over the same period PY. Under new management at ReTech, margin improvement and continuing the growth and breadth of our drive train line has been the primary focus. Adjustments have been made in our sales force to primarily focus on drive train products; results indicate the refocus is working.

Man Lift sales dropped significantly, a 50.1% decline over PY, resulting in a $244,000 operating loss, compared to a $261,000 gain PY. Sales pipeline activity remains strong; however, sales we have closed have been principally development products. This product mix stretches our limited engineering department and at the same time, it limits the amount of work available for production. As noted in prior reports, large jobs drive successful performance at Man Lift. We continue to work diligently to book that next large job; additionally, we continue to explore opportunities to smooth the income cycles at Man Lift with additional reoccurring work.

Corporate expenses remain flat to budget except for a substantial decrease in incentive compensation based on the performance of the consolidated operations. Compared to PY, corporate expenses have increased reflecting the decision made a year ago to consolidate cash management and corporate consolidation of accounting processes in the corporate office. Cash flow for the Company was negative $2.2 Million for the Quarter, principally the result of payment of substantial incentive compensation from PY, operating losses and substantial reduction in accounts payable. We ended the Quarter with no borrowings on our Operating Line of Credit.

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 industries in which we operate, competitor pricing, maintenance of our current momentum, weather conditions and other factors.