UNIVERSAL MFG. CO.
1128 LINCOLN MALL, SUITE 301
LINCOLN, NE 68508

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

To Shareholders of Universal Mfg. Co.

CONSOLIDATED NINE MONTH OPERATING REPORTS
FOR THE THIRD QUARTER ENDED APRIL 30, 2015
(Not audited by Independent Public Accountants)

BALANCE SHEET

		April 30, 2015		July 31, 2014
Assets				
Current Assets:				
Cash and cash equivalents	$	620,558	$	2,307,728
Trade receivables				
Accounts receivable, less allowance of $192.206 and $151,371 respectively		3,397,683		3,835,061
Other receivables, net		275,356		275,757
Cost and estimated earnings in excess of billings on uncompleted project, net		1,224,886		600,838
Inventories		5,569,139		3,411,171
Prepaid expenses		223,496		141,444
Income tax receivable		350,841		102,862
Deferred income taxes		515,462		515,462
Total Current Assets		12,177,421		11,190,323
Property, plant and equipment, net		9,729,848		1,372,690
Other Noncurrent Assets:				
Intangibles, net of amortization		40,832		43,727
Goodwill		4,898,600		4,898,600
		4,939,432		4,942,327
Total Assets	$	26,846,701	$	17,505,340
Liabilities and Stockholders' Equity				
Current Liabilities:				
Current portion of long-term debt		497,198		167,772
Accounts payable		2,816,980		1,028,368
Accrued expenses and other liabilities		2,030,009		2,499,633
Total Current Liabilities		5,344,187		3,695,773
Noncurrent Liabilities:				
Long term debt, less current portion		6,336,850		1,851,248
Earn-Out Debt		3,884,000		-
Deferred income taxes		485,575		485,575
Total Noncurrent Liabilities		10,706,425		2,336,823
Stockholders' Equity				
Common stock - $1 par value, $2,000,000 shares authorized, $816,000 shares issued and outstanding		816,000		816,000
Additional paid-in capital		137,595		128,392
Retained earnings		9,842,494		10,528,352
Total Stockholders' Equity		10,796,089		11,472,744
Total Liabilities and Stockholders' Equity	$	26,846,701	$	17,505,340

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CONSOLIDATED INCOME STATEMENT

	Three Months Ended April 30		Nine Months Ended April 30	
	2015	2014	2015	2014
Sales	$ 5,760,119	$ 7,921,808	$ 14,619,136	$ 21,707,177
Earnings (Loss) Before Income Taxes & Discontinued Operations	$ (820,871)	$ 1,436,906	$ (823,943)	$ 2,562,183
Income Taxes Expense (Benefit) Est.	$ (170,072)	$ 484,321	$ (159,335)	$ 862,003
Discontinued Operations Income (Loss), net of tax	$ 14,412	$ (2,999)	$ (21,249)	$ (14,475)
Net Income (Loss)	$ (636,386)	$ 949,586	$ (685,858)	$ 1,685,705
Basic Earnings per Share	$ (0.78)	$ 1.16	$ (0.84)	$ 2.07
Diluted Earnings per Share	$ (0.76)	$ 1.14	$ (0.82)	$ 2.02

The above are consolidated operating results of Universal Mfg. Co. ("UMC"), including its ReTech operating division ("ReTech") and its operating subsidiaries Man Lift Mfg. Co. ("MLM"), Metal Works Mfg. Co. ("MWM") and Ultra Armoring, LLC ("UA") (collectively, the "Company") for the 3rd Quarter ending April 30, 2015 (the "Quarter") and the first nine months of the current fiscal year ("YTD") as compared to the same periods for the prior year ("PY"). Net Loss for the Quarter was $636,386 compared to net income of $949,586 for the same Quarter PY.

The Quarter was materially impacted by closing on the previously announced acquisition of UA by UMC and substantially all of the assets of Ultra Machine & Fabrication, Inc., by MWM, a new entity formed for that purpose (the "Ultra Transaction"). Additionally, we have substantially planned and prepared for the relocation and consolidation of our MLM operation from its Cudahy, WI location to our newly acquired location in Shelby, NC. In the aggregate, costs related to the acquisition and planning the relocation exceeded $200,000 in one time charges. Production of MLM was materially reduced due to the planning and preparation for its relocation resulting in reduced revenue without corresponding decrease in operating expenses in the short term.

ReTech sales decreased 7.9% year over year for the Quarter. Sales were down virtually across the board over the same period prior year. Transfer Case sales were negatively impacted by an early end to winter in much of our primary sales area. Caliper orders continue to lag. The softness in orders had the anticipated impact on gross margins as fewer sales dollars were available to absorb overhead costs. Material costs remain in line and were a bright spot for the quarter. Sales expenses and Administrative expenses were both down for the quarter driven by lower commissions and incentive compensation accrual due to lower sales and profitability. Operations continue to be effective and in line with expected costs. Sales team has undergone changes with the departure of our prior director of sales and marketing.

When we complete the consolidation of MLM into the Shelby operation, we anticipate significant costs savings in the future. For the current quarter, sales were substantially less than our anticipated going forward run rate due to preparation for moving of MLM, assuming the operation of UA, addressing significant operational challenges at MWM from the prior operation, and establishing our new operating team. Phil Sprio, President of MLM has assumed the additional titles of President of MWM and Manager of UA. Joe Banks, VP of Operations & Manufacturing has assumed the same role for all operations in Shelby, NC. Collectively, the three operations produced $3,153,000 for the quarter, including two months of revenue for MWM and UA. Both UA and MWM recognize revenue based on shipped orders, unlike MLM's recognition based on percent of completion. UA revenue is related to government contracts and virtually nothing was shipped since the close of the acquisition. Significant work remains in the backlog and we anticipate significant shipments to commence late in July, the end of our fiscal year.

Our balance sheet has changed dramatically this quarter. In addition to the cash purchase price paid of $5 Million, funded with $4 Million dollars of new term bank debt and $1 Million of seller financed carryback, we have a potential earn-out based on the performance of MWM and UA over a four year period commencing March 1, 2015. Under GAAP, we are required to book as a liability the current value of the anticipated earn-out. We are currently working with an outside expert on the proper allocation of the purchase price. The opinion is not yet complete; consequently, our balance sheet may change prior to fiscal year end. Currently, based on a third party independent appraisal, our balance sheet reflects assets acquired at fair market value in continued use with an assumption of net income. The difference in cash payment and this appraised asset value is reflected as a liability noted as Earn-Out Debt in the Balance Sheet above. In addition to the purchase price paid, we acquired approximately $400,000 of inventory and pre-paid expenses, most of which was work-in-process. This purchased inventory/work in process plus the additional work-in-process generated in the past two months accounts for substantially all of the increase in inventory reported this FY.

The Company's operating cash flow has decreased $1.9 Million this FY, driven principally by an increase in inventory noted above (approximately $2.8 Million) and a substantial reduction in accrued expenses (approximately $810,000, primarily incentive compensation earned PFY and paid this FY and limited accrual of incentive compensation this year due to performance). These uses have been offset by an increase of accounts payables (approximately $1.8 Million) and a decrease in accounts receivable (approximately $438,000). At the end of the quarter we had no advances on our $5 Million line of credit.

Corporate expenses remain under budget due to a substantial decrease in incentive compensation accrual based on the performance of the consolidated operations partially offset by one-time costs related to the Ultra Transaction and the anticipated relocation of MLM. Corporate expenses will remain elevated from prior years as we continue to manage cash, consolidations, benefit plans, insurance and banking for the larger operation. We anticipate adding one additional full time employee at the corporate office in the fourth quarter due to this increase in activity, bringing our going forward headcount to four at the corporate office.

We anticipate additional significant one-time costs related to the Ultra Transaction as well as additional costs related to the anticipated relocation of the MLM operation from Wisconsin to North Carolina. We believe these changes in addition to potential changes in the purchase price allocation based on a still to come third party opinion will result in charges to our income statement and balance sheet. We anticipate that all of these changes and costs will be quantified and reported by our fiscal year end.

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.