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

THOMAS C. HANCE
PRESIDENT & CEO
www.universalmfgco.com

To Shareholders of Universal Mfg. Co.

UNIVERSAL MFG. CO.
CONSOLIDATED NINE MONTH OPERATING REPORTS
FOR THE THIRD QUARTER ENDED APRIL 30, 2017
(Not audited by Independent Public Accountants)

BALANCE SHEET

	April 30, 2017	July 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 36,939	$ 33,204
Receivables		
Trade receivables, net	7,374,079	3,761,022
Other receivables, net	249,586	223,402
Inventories	12,654,420	8,701,271
Prepaid expenses	365,937	1,322,824
Income tax receivable	837,537	1,009,649
Deferred income taxes	632,513	632,513
Total Current Assets	22,151,011	15,683,885
Property, plant and equipment, net	6,689,108	7,700,810
Other Noncurrent Assets:		
Intangibles, net of amortization	82,926	93,496
Goodwill	4,904,350	4,904,350
	4,987,276	4,997,846
Total Assets	$ 33,827,395	$ 28,382,541
Liabilities and Stockholders' Equity		
Current Liabilities:		
Outstanding checks in excess of bank balance	820,708	199,741
Lines of credit	7,899,382	1,941,730
Current portion of long-term debt	531,554	531,554
Accounts payable	6,262,010	5,829,097
Deferred revenue	-	205,225
Accrued expenses and other liabilities	1,932,931	2,119,462
Total Current Liabilities	17,446,585	10,826,809
Noncurrent Liabilities:		
Long term debt, less current portion	5,310,882	5,672,622
Deferred income taxes	883,831	883,831
Total Noncurrent Liabilities	6,194,713	6,556,453
Stockholders' Equity		
Common stock - issued and outstanding	866,067	866,067
Additional paid-in capital	844,551	842,326
Retained earnings	8,475,479	9,290,886
Total Stockholders' Equity	10,186,097	10,999,279
Total Liabilities and Stockholders' Equity	$ 33,827,395	$ 28,382,541

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CONSOLIDATED INCOME STATEMENT

	Quarter Ended April 30		Nine Months Ended April 30	
	2017	2016	2017	2016
Sales	$ 12,203,466	$ 7,139,006	$33,005,058	$62,148,386
Earnings (Loss) Before Income Taxes	$ (326,377)	$ (2,149,205)	$ (1,235,465)	$ 1,830,199
Income Taxes Expense (Benefit) Est.	$ (110,969)	$ (878,444)	$ (420,059)	$ 474,215
Net Income (Loss)	$ (215,408)	$ (1,270,761)	$ (815,406)	$ 1,355,984
Basic Earnings per Share	$ (0.25)	$ (1.56)	$ (0.94)	$ 1.66
Diluted Earnings per Share	$ (0.24)	$ (1.52)	$ (0.92)	$ 1.62

Financial Overview

The above are consolidated operating results of Universal Mfg. Co. ("UMC"), including its UMC-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 fiscal 3rd Quarter ending April 30, 2017 (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 $215,408 compared to net loss of $1,270,761 for the same Quarter PY.

Net Sales for the Quarter were up substantially over PY (70.9%) driven by increased sales at Metal Works and Ultra Armoring this year. Gross profit for the Quarter improved over 23 points over PY.

Sales at ReTech for the Quarter were down 2.6% to PY primarily due to lower fuel pump sales; however, Transfer Case sales were down about $0.1 Million and Caliper sales were up about the same amount compared to PY same Quarter. This resulted in lower gross margin of 9.3% compared to PY; due to lower gross margins on Calipers compared to Transfer Cases along with an increase in warranty expense over PY same Quarter. Retech recorded an operating loss for the Quarter of $0.1 Million due to the lower gross margins and higher SG&A costs.

Progress continues to be made in operational performance and market expansion at ReTech. The drive from operations to deliver "any product, any day" is beginning to develop. This will allow ReTech to react quickly to unforeseen market needs and increasing market fill rates, thus driving up revenue. This is especially important as we pursue more Transfer Case revenue. New market and customer initiatives are developing across all product lines. These initiatives line up well with our strength and core competence and will drive future growth across all product lines as we move into Fiscal Year ("FY") 2018.

MLM sales increased 140% for the Quarter compared to same Quarter of PY. Gross margins were improved over PY, a 77.1% improvement prior to unapplied expense, partially due to lower engineering costs and lower direct labor. Focus of sales has been on products that require limited engineering time. We have made significant headway in production. MLM has made substantial progress in cost control and sales in the first three quarters of FY 2017. Revenue generation is on track for growth over FY 2016. Improved operations and Engineering have returned MLM cost structure closer to levels prior to the move to Shelby. Joe Banks is the new MLM President; he will continue to drive costs down and focus on sales growth.

MWM sales were also improved, increasing 38.2% compared to same Quarter PY. Gross margins also improved, increasing by 26.8% year over year for the same Quarter prior to unapplied expense. We continue to work to improve efficiency and drive down material costs that we anticipate will continue to improve as we work more consistently with a quality backlog. Progress continues to be made in expansion of MWM into main stream OEM work. These efforts will continue; allowing entry into higher value product streams and where possible, add multiple levels of processing to aid in margin development.

UA sales increased 1467% due to work for the USSOCOM this year. Gross Margins have increased 16.9% over same Quarter prior to unapplied expenses. UA continues to develop as the long term strategic play for UMC. With the increased interest levels in expanding the military, and our ability to compete in this area with high value and speed, we expect UA to continue to develop a broad portfolio over time. The $15M Department of State opportunity secures a good foothold on the start of FY 2018.

Unapplied expense continues to be an issue, although we have made material improvement and anticipate it will only continue to improve as we build our product base with MLM, our customer base with MWM and win additional work for UA. SG&A expenses as a percentage of sales have decreased 8.0% for the Quarter compared to same Quarter PY.

Cash flow for the Quarter was impacted by the ramp up in our production. Accounts Receivable increased $2.3 Million for the Quarter and Inventory increased $0.9 Million for the Quarter. This increase was funded by an increase in usage of our line of credit that stood at $7.9 Million as of the end of the Quarter, a $2.7 Million increase during the Quarter. Our borrowing base at the end of the Quarter supported the full amount of our authorized Line of Credit of $10.5 Million.

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.