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, 2016

(Not audited by Independent Public Accountants)

BALANCE SHEET

	April 30, 2016	July 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,780,421	$ 33,783
Restricted Cash	-	156,268
Receivables		
Trade receivables, net	4,506,963	3,425,964
Other receivables, net	275,757	275,757
Inventories	6,539,646	26,352,133
Prepaid expenses	386,949	470,464
Income tax receivable	597,782	664,297
Deferred income taxes	573,479	573,479
Total Current Assets	16,660,997	31,952,145
Property, plant and equipment, net	7,990,150	8,847,415
Other Noncurrent Assets:		
Intangibles, net of amortization	97,020	107,591
Goodwill	4,904,350	4,904,350
	5,001,370	5,011,941
Total Assets	$ 29,652,517	$ 45,811,501
Liabilities and Stockholders' Equity		
Current Liabilities:		
Outstanding checks in excess of bank balance	-	358,284
Lines of credit	-	18,262,040
Current portion of long-term debt	509,909	509,909
Accounts payable	4,046,771	2,494,258
Deferred revenue	560,301	1,042,885
Contingent consideration liability	4,500,000	4,500,000
Accrued expenses and other liabilities	2,551,137	2,177,284
Total Current Liabilities	12,168,118	29,344,660
Noncurrent Liabilities:		
Long term debt, less current portion	5,823,948	6,200,617
Deferred income taxes	404,498	404,498
Total Noncurrent Liabilities	6,228,446	6,605,115
Stockholders' Equity		
Common stock - issued and outstanding	816,000	816,000
Additional paid-in capital	175,760	137,517
Retained earnings	10,264,193	8,908,209
Total Stockholders' Equity	11,255,953	9,861,726
Total Liabilities and Stockholders' Equity	$ 29,652,517	$ 45,811,501

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CONSOLIDATED INCOME STATEMENT

	Quarter Ended April 30		Nine Months Ended April 30	
	2016	2015	2016	2015
Sales	$ 7,139,006	$ 3,867,706	$ 62,148,386	$ 15,021,815
Earnings (Loss) Before Income Taxes	$ (2,149,205)	$ (527,841)	$ 1,830,199	$ 56,103
Income Taxes Expense (Benefit) Est.	$ (878,444)	$ (166,306)	$ 474,215	$ (164,429)
Net Income	$ (1,270,761)	$ (361,535)	$ 1,355,984	$ 220,532
Basic Earnings per Share	$ (1.56)	$ (0.44)	$ 1.66	$ 0.27
Diluted Earnings per Share	$ (1.52)	$ (0.43)	$ 1.62	$ 0.26

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, 2016 (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 $1,270,761 compared to net loss of $361,535 for the same Quarter PY.

The balance sheet and income statement have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to revenue recognition of the MLM operation.

The new revenue recognition policy for MLM is to recognize revenue when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and the collectability of revenue is reasonably assured. This would generally occur upon shipment of product to customers and transfer of title under standard commercial terms.

The previous recognition policy for MLM was to recognize revenue on the percentage of completion method. Profit on contracts was realized on the difference between contract price and the actual costs incurred. Revenue was measured by the percentage of total costs incurred to date to estimated total costs for each contract.

The new accounting policy for MLM was adopted on August 1, 2015 and has been applied retrospectively. Revenue recognition will now be on the same basis for the consolidated companies. Management believes the change in policy will result in the financial report providing more relevant and no less reliable information because it leads to a more consistent treatment of revenue and expenses across all operations.

Given the recent acquisition and the relocation of the MLM business to Shelby, NC, it was considered appropriate to change the accounting policy so that all businesses operating at that location were recognizing revenue on a consistent basis.

Net Sales for the Quarter were up substantially over PY (84.6%) driven by the acquisition of the operations in Shelby, NC. Unfortunately, gross profit was substantially less than historic. The Quarter was again extremely disappointing. Our inability to achieve sales in adequate volume to absorb overhead costs impacted gross margin in all operations. This is attributable to a degree to the larger economy, political environment and resulting uncertainty; however, we simply have to be better.

In Shelby we ensured work was performed correctly and timely resulting in material increase in costs. We continue to invest in and improve systems in all operations resulting in a short term impact on costs; however, we anticipate the system investments and improvements will have a long term positive impact on all operations.

Sales at UMC-ReTech continued to be slightly below PY. Sales were down 2.4% compared to same period PY and 7.2% compared to same nine month period PY. Gross margin was down over 4.8% compared to YTD PY. Lower volume and warranty costs specifically in our Transfer Case line negatively impacted margins. Warranty expense in our Transfer Case line continues to run above prior years, although our near term returns are coming back in line with historical numbers. Anecdotal reports indicate sales have been down industry wide in all categories. We have for the past year been working on an ACES/PIES initiative (an industry standard to provide detailed information regarding product offerings). It has been a focus for driving sales; however, it has been slow in showing positive results as we have encountered significant delays in having our detailed product information populated on multiple customers' websites and order points. Significant progress has been made in this area in recent weeks.

Because the Shelby acquisition was closed in the middle of last year's fiscal 3rd Quarter, we do not have relevant comparable sales. The move of MLM occurred during the 3rd Quarter of PY and had and continues to have a disruptive impact on the operation. The current Quarter saw the completion of multiple jobs that required substantial re-engineering and substantial training of a new work force in Shelby all resulting in negative gross margins. All but one of those jobs and substantially all cost overruns were completed and recognized in the Quarter just ended. Substantial work is now in process for MLM. New complete data packages have been finalized for all work in progress and will be available for new sales of like type. Activity has picked up; however, closing of sales remains challenging, a problem we see throughout all brands.

MWM sales started the Quarter with substantial backlog and immediately available work to perform. Unfortunately, substantial work was placed on hold by our customer in the middle of the Quarter creating an unfortunate interruption to work flow. The work has not been lost, simply pushed back. Our efforts to generate more commercial work has resulted in multiple new customers that we believe will be quality customers going forward. First article production, testing and the like comes prior to steady and meaningful production. We continue to believe we are on the right track simply not as quickly as we anticipated.

This Quarter, as anticipated, UA was fairly quiet in production. Significant time was spent in responding to proposals on a wide variety of opportunities, both short term and long term. We remain optimistic regarding available work in this military defense focused operation.

We made a change at Shelby replacing our Controller with a new Controller- Director of Finance for Shelby operations. We believe this is a positive step forward as we continue to mature as an operation.

The first anniversary of closing on our acquisition of the Shelby operation required that we compute the first installment of our earn out owing to the prior owner. Due to our significant sales in the fiscal first quarter, the earn out, that could have extended for four years, was fully earned in year one. This had been anticipated at last year end and accounted for as a contingent consideration liability in the Balance Sheet above. Subsequent to the end of the Quarter, we have now paid the earn out obligation. The prior owner was issued 50,067 shares of common stock of UMC having a value of $750,000, valued at book value as of February 29, 2016, plus cash in the amount of $3,750,000. As noted, these payments were made subsequent to the end of the Quarter and are not reflected in the financial statements above.

The Company's cash flow decreased by $165,000 for the Quarter; YTD cash flow was positive by $3.95 Million. At the end of the Quarter we had no debt outstanding on any of our lines 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.